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No! This Was Not a "Do Nothing" Session of Congress

By CARLISLE BARGERON

Correspondent notes that first session of Republican Congress achieved much in blocking radical legislation and holding down appropriations in addition to recognized accomplishments.

WASHINGTON, D. C. — The first session of the 80th Congress, just ended, was a do nothing Congress. There were more than 6,000 bills and resolutions introduced and it passed only an infinitesimal percentage of them. This Congress did nothing to relieve the housing shortage, it did nothing to bring down prices, it passed no social legislation; it did not extend social security benefits, increase the minimum wages standard, it did not pass the Taft-Ellender-Wagner housing bill, it did not provide for socialized medicine.

Carlisle Bargeron

This is what you are going to see written. Maybe, you have already seen it. But what is surprising is that you will see it in very conservative newspapers.

It is, in fact, a very accurate appraisal of the Congress. But the rather amazing thing is that for so

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Rapid Nationalization Of French Industry

By EGON KASKELINE

International observer, on basis of interview with French Minister of Economic Affairs, predicts that current crises will not cause France to abandon her program of close state control. Asserts that degree of nationalization will be limited mainly by factors of competition and profitableness of respective industries. Holds that state control, carry-over of prewar trends, already embraces one-fifth to one-third of nation's productive facilities.

PARIS, FRANCE.—France is undoubtedly gripped by the deepest and most far-reaching social crisis in her long history. With the country's entire economic future at stake, the workers know only that they want higher wages, and as in the case of the railways, think nothing of paralyzing the nation's entire economic life to further their own ends.

Egon Kaskeline

One highlight of the present crisis in France is that the issue is not between private industry and their workers but between trade unions representing the crew of nationalized, state-controlled enterprises, and the Government, headed by Socialist Premier Paul Ramadier. The French railroads were taken over by the State in 1936 and the electricity and gas works, which also are partly halted by walkouts, were nationalized in 1946. French workers, at this hour, are using the supreme means of class warfare not against capitalist employers but against their own government and its wage policy. The French public is doubly involved in this most serious social con-

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Free International Markets Essential to Peace and Prosperity

By IVAN WRIGHT

Dr. Wright stresses importance of unrestricted international trade and free gold and foreign exchange movements in creating and promoting peace and prosperity of all nations. Says U. S. should take lead in removal of trade barriers and exchange controls, and aid in movement for free foreign markets. Points out maintenance of sound money conditions as essential to world trade rehabilitation and warns foreign trade restrictions lead to regimented economy.

The battle for free markets is as old as man's struggle for freedom. Anyone familiar with the elementary outline of the history of civilization, industry, and commerce, knows that progress has followed every step gained in freedom of production, trade, and finance. The United States was settled by people seeking freedom and independence. Our progress from a wilderness to the present most powerful industrial country in the world must be, in a large part, due to our freedom and the initiative resulting therefrom. Evidence of the wealth-producing power of freedom is not confined to the United States. In the older countries, such as England, the great strides in production and raising the standard of living have followed fast upon the removal of barriers to trade and free enterprise. When England had 6,000,-

Dr. Ivan Wright

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EDITORIAL

As We See It

Lessons of the Past Year

Six months ago there were very, very few, if any, among the swarms of economists in Washington who were not perfectly certain in their own minds that a substantial "recession" was in the offing. Most of them were quite convinced that it was near enough at hand to show very plainly in the statistics ere this. The chief question in controversy among them was the depth of the downward turn and its duration. When in some sectors of the economy activity began to decline appreciably some months ago the word went around that the "recession" or "depression"—there was some disposition to argue about the term to be employed—was "on."

It was not until relatively recent weeks that these official experts began to see that their prognostications were in need of major revision. They have, however, not been particularly abashed by the degree in which time has discredited their earlier appraisal of the state of affairs. Most of them are nothing if not "flexible" in their thinking about such matters. They now are merely pushing the date of the general business reversal further into the future, but it is hardly necessary to suggest the damage that would have been done had

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America's Responsibilities for World Leadership

By HARRY A. BULLIS
President, General Mills, Inc.

Industrial leader, just returned from a tour of eight European countries, including Germany, urges our whole-hearted support of Marshall Plan on the ground of enlightened selfishness.

The fundamental issue in Europe is— How far should the power of the state go in planning the economic life of the country and how far should it be left to individual enterprise? It is a struggle for political power in the economic area—a struggle between Communism and Socialism on the one hand and our free enterprise system on the other hand.

Harry A. Bullis

The important question is — do we want Europe controlled by the Communists or not? The line is sharply drawn between the East and the West — between the Russian ideology and the free enterprise ideology. If Russia should control Europe, we in America will have an armed camp controlled by the state.

The risk is so great that we must pay the price, even though the price will be large and the recovery period long. We must support the Marshall Plan; however, we should be tough, and we should insist that the governments requesting our assistance tell us what they will do to put their own house in order. Also we should have strong commitments which will assure us that they will help themselves if we help them.

In other words, we should help the people of these nations who will help themselves. We should also concentrate our economic assistance on those things that will assist the countries to build up their own productivity. Relief as such does not lift people, and the poor have never been a good market for any commodity. Our credits and goods alone will not help bail these people out. Whatever we do for them will be small in comparison with what they will have to do for themselves, but it is important that we give them assistance now.

We have to realize that the recovery of Europe will be a slow process, but we should appreciate that with our intelligent assistance, Europe will recover.

Both Food and Moral Support Needed

Europe needs our moral support just as much as it needs food and supplies. If the people of Europe can have confidence that the United States will continue to be strong enough to help them in time of need, they will go forward with greater confidence in themselves and work harder for speedy recovery.

The only way to defeat Communism is to make the lot of the common people more bearable—that is, improve their living conditions and permit them to purchase at least some of the necessities of life, especially food and clothing. Food and clothing are the most important articles that are needed at present.

Another thing that we should do is to maintain a strong, vigorous, functioning economy here at home. We should keep an even keel in the United States so that we can demonstrate an efficient way of life to those European countries which are fearful of Russia. And practically all of the countries of Europe do fear Russia.

We should also strengthen and maintain a constructive information service abroad. The world should be convinced that we have

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Republican Congress Kept Pledges

By HON. CHARLES A. HALLECK*
U. S. Congressman from Indiana

Asserting 80th Congress has accomplished more than any previous Congress in many years, Republican House Leader scores President for veto of tax and labor laws and contends reduction in Presidential budget is biggest Congress ever made. Lauds many army unification and veteran legislation and says "party will continue the job so well advanced."

As Republican leader of the House of Representatives, I am happy to report on what we have done in the first session of the 80th Congress—the first Republican Congress in 16 long years.

You can now appraise the work of the Congress you elected last November for the purpose of reversing the ruinous trend of the New Deal - Democrat administrations, and of providing a healthy climate for maximum production, jobs, peace and national prosperity.

Charles A. Halleck

The record shows that the Republican Party has kept its pledges. We have responded to the will of the people. We have demonstrated that ours is a united party, with a sound, forward-looking program.

The record shows that the 80th Congress has accomplished more than any previous Congress in many, many years, despite balking at every step of the way by the hodgepodge Democrat Party dominated by its quarrelsome radical masters.

May I emphasize this point: We Republicans are united in support of our program, a program that you, my friends, said was right when you repudiated the Truman Administration last November.

During the first session of the 80th Congress, we began putting that program into effect. We still have much to do in clearing away the debris left by tax-squandering New Dealers and their Communistic fellow-travelers.

Many measures not yet enacted into law are far advanced in the legislative process. These and other measures we shall push to completion at the next session, veto or no veto, and alien-minded forces to the contrary notwithstanding.

I remind you that a few days after you elected your Republican Congress, President Truman issued a formal statement, declaring that under our Constitution the Congress is the lawmaking body, that the people entrusted the controlling voice of this branch of our government to the Republican Party, and that he "accepted this verdict in the spirit in which all good citizens accept the result of any fair election."

President's Opposition

It is well to remember that statement in the light of subsequent events. The New Dealers, from President Truman down, never have bowed to the will of the people as expressed in the landslide Republican victory.

Instead, Mr. Truman has made the tragic mistake of trying to thwart the will of the people by abusing the Presidential veto power. He has used the veto power for purposes for which the Founding Fathers never intended it. He is using it as a weapon of the minority to block the majority.

He used it to block, for the pres-

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*Radio address by Congressman Halleck over American Broadcasting Network, July 28, 1947.

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World Bank Securities And SEC Regulation

World Bank debentures declared exempt securities by SEC. New rules give these securities favored position. These preferences approved as making a freer and more liquid market. Need for exceptional treatment an admission of over-regulation. Foreign securities and domestics should be similarly handled. Liberal policy and repeal of the Maloney Act recommended.

When the World Bank (International Bank for Reconstruction and Development) requested certain favored treatment under the Securities Acts, and that request was supported by the National Advisory Council on International Monetary and Financial Problems, the securities industry watched with particular interest for the outcome of SEC reaction.

On such application, the Commission announced the promulgation of a number of rules under the Securities Act of 1933 and the Securities and Exchange Act of 1934, as well as the rendering of an interpretation under the Trust Indenture Act of 1939.

All these dealt with the securities of the World Bank.

Some of the effects of these rules were (a) to exempt the World Bank Securities from certain provisions of the Securities and Exchange Act of 1934.

The first of such exemptions is from Section 15 (a). The section which requires the registration with the Commission of over-the-counter brokers and dealers who trade in non-exempted securities; and (b), from Section 15A (Maloney Act), the section pursuant to which the National Association of Securites Dealers, Inc., is registered with the Commission, as a "national securities association."

The third exemption in effect relieves World Bank securities from the "when-issued" trading provisions of the Securities and Exchange Act of 1934.

With all that the Securities & Exchange Commission has done to grant preferred treatment to the securities of the World Bank, we haven't the slightest quarrel. We believe, however, that the actions of the Commission are worthy of close examination in their relation to the general regulatory power exercised by the SEC in the securities field.

It is apparent that the application for the particular treatment accorded to it by the SEC was made by the World Bank in the belief that such treatment would be the most effective for disposing of its securities to the public.

The Commission was informed that the Bank did not propose to effect the distribution of its securities through underwriters in the usual sense, but merely to allow the customary commission or concession to a large number of brokers or dealers throughout the country who will be in direct privity of contract with the Bank.

Clearly, it was felt that if these particular securities were to be given the broadest possible market, one that was liquid and unrestricted, one that would result in a successful disposition at the best possible price of the offering, certain provisions of the Securities Act would have to be waived, and, in fact, these were waived.

By a parity of reasoning, we are impelled to ask why shouldn't the same be true of foreign securities in general and of domestic securities? If methods of marketing and marketing conditions are benefited by these exemptions granted to the World Bank, why shouldn't the same benefits be extended?

In the compliance by the SEC with the request of the World Bank concerning its securities, and the support of the National Advisory Council on International Monetary and Financial Problems, we see a tacit admission by the Commission that in the Securities Acts and the interpretation thereunder there are onerous burdens concerning the marketing of securities which were best removed in the public interest.

It won't do to say that the instant relaxations of the

(Continued on page 37)

Trading in Today's Market

By COL. HERBERT G. KING
Member, New York Stock Exchange

Col. King decries reliance on charts and past performances as basis for stock market judgment and says psychology of the average trader is now changed and smart trader tries to adjust himself to prevailing conditions.

It has long been my observation that what the public wants to know is how to get rich quickly, without any risk, on very little capital. The average customer is not very pleased when he is informed that a knowledge of values and of market conditions, backed patience, courage, intelligence and ample capital are necessary and that so far no substitute has been found for judgment, knowledge, and up-to-date information, accompanied by a definite method of trading.


Col. Herbert G. King

Of late I have noticed an increased reliance on charts and the averages as a basis for stock market judgment. However, many traders have recently found out that expecting stocks to act according to pattern can be a very costly theory. Their charts showed so conclusively that the market should go down much further, that they forgot just what causes price changes. The financial and industrial conditions of the country, foreign influences, banking and credit conditions, and individual business prospects of a company as well as the technical position of a stock all combined, make up the price of the stock, and charts only show what has happened in the past and not what will happen in the future.

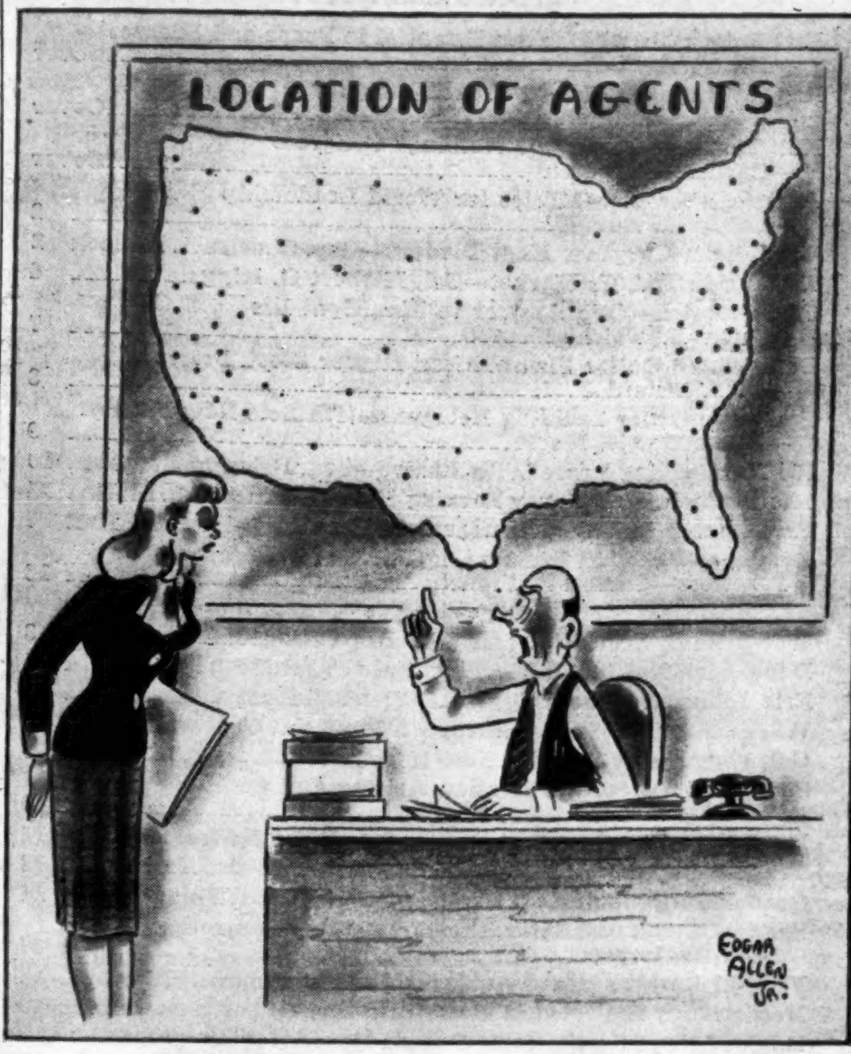
The persistent decline of over a year had encouraged an amateur short interest and brought in sufficient liquidation that had made it possible for shorts to cover whenever they desired, until their success had caused the market to become oversold. It was exactly at that point that the stubbornness of stock prices against bearish influences should have indicated to traders that a good sized bull swing was imminent. But too many traders were basing their operations on graphs and disregarding conditions.

In general, there are two main causes for changes in the selling price of a stock. First, changes in the investment value of a stock, caused by changes in the company itself, or of conditions affecting certain classes of stocks, or others affecting all stocks together. Second, changes in purely stock market conditions, having nothing to do with investment values. Shrewed investors saw that companies were showing their greatest earnings, paying their largest dividends and that the political, labor, and foreign situations had improved. Their astute buying gave the market a firm base and once the rise got under way there was no stopping it until it had run its course.

There is no doubt that the psychology of the average trader has now changed. There will be reactions of course, but the bear market is now over for sometime and reactions now will be regarded as buying opportunities, which will tend to prevent very severe declines.

The smart trader always tries to adjust himself to conditions since he cannot adjust conditions to himself and conditions are now definitely on the optimistic side. Many involuntary investors who have been nursing their losses for the past year will soon be congratulating themselves on their sound financial acumen and the traders who remember the real causes of fluctuations should be in for some happy times to come.

BUSINESS BUZZ



"I wish, Miss Carter, you'd stop referring to my agents as pin-heads!"

Depression Not Inevitable, Says Gale F. Johnston

Prominent banker says nation's productive capacity is much greater than prewar and $200 billion war time accumulation of liquid assets offsets increase in national debt. Calls for wider distribution of government bondholdings and more provision for social security.

If we make up our minds to work together to prevent it, we need not have a major depression and we can mitigate any recession during the period of price adjustments, Gale F. Johnston, President of the Mercantile Commerce Bank & Trust Co. of St. Louis, told 250 industrial and business leaders at a luncheon on July 22, sponsored by the Rotary Club of St. Paul, the Minnesota Employers' Association and the Federal Reserve Bank at a payroll savings conference with the U. S. Savings Bonds Division.


Gale F. Johnston

Recalling that "our economy froze so hard after 1929 that it took ten years and the heat of another war to defrost it completely," Mr. Johnston declared: "There is no law, divine or economic, that says we must have a depression after even a $350 billion war. The nation's peacetime productive capacity is much greater than it ever was before and we have 60 million people gainfully employed. If we act in time, and by 'we' I mean management and labor, farmer, producer, processor, middleman and consumer, we can stop these depressions that breed wars. Not to do everything you can toward that end is nothing short of high treason to your country and the human race, and sabotage of your own future and your children's."

In the $200 billion of liquid assets of individuals, including $45 billion in U. S. Savings Bonds, Mr. Johnston sees a powerful brake for any downhill plunge of prices and business. The $200 billion in savings equals to total income of all Americans during almost five years of the depression of the 1930's, he pointed out. Farmers have nearly $7 billion in checking accounts and $6 billion in savings bonds, and either of these sums exceeds the total farm indebtedness today.

Trebling of liquid assets of individuals since 1940 can be credited against the national debt, for it represents money saved out of our war spending, he said. Billions more went into expanding plant and productive capacity that it producing new wealth in peacetime. Billions spent on research and development of new processes and improved techniques and in creating substitutes, synthetics and entirely new and useful substances by rearranging the molecules of matter, were not really spent but invested, he declared. Our gains from these new sources of wealth, if not nullified by a depression, can in a few years offset the war debt.

Mr. Johnston added that the two billion dollars gambled on the atomic project not only produced the bombs that stopped the Japanese war, saving uncounted billions of dollars and thousands of lives, but for only one-sixth of 1% of our $350 billion war bill we created a new source of power for peacetime and power to enforce peace whose value may transcend the whole cost of the war in money. "Already a bigger and better cyclotron in California has made previous atom splitters

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Contracts awarded for construction in metropolitan New York and northern New Jersey in the first half of this year totaled $434,301,000, a gain of 2% over the volume reported for the first six months of last year, and the highest dollar total for the first half of any year in this area since 1930, it was reported this week by Graham Ford, District Manager of F. W. Dodge Corporation.

Analysis indicates that 32,023 dwelling units were called for in residential contracts signed in the first half of this year, with 20,641 of these units to be contained in apartment houses and the bulk of the remainder to be in single family dwellings, 8,352 of which are being offered by operative builders for sale or rent.

Residential volume totaled $1,468,902,000 against $1,633,473,000 in the first six months of last year. This year's residential contracts called for the building of 187,019 dwelling units against 234,315 in the corresponding period of last year.

INDUSTRIAL OUTPUT CONTINUES UPWARD TREND

Over-all industrial output during the week ended on July 23 rose moderately above that of the preceding week. Continued shortages of certain types of raw materials, component parts, and skilled labor hampered production in some lines. In spite of increased current shipments, order backlogs remained very large. Employment continued at peak levels.

Despite continued shortages of building materials and skilled labor, new building construction increased 29% over the previous week. This week's private construction increased 47% over last week's level and exceeded that of the corresponding week of 1946 by 13%. Cumulative private construction in 1947 falls 10% below that for 1946.

Lumber production for the week ended July 12 totaled 135,549,000 board feet, an increase of 56% over the previous week. New orders for lumber, continuing well in excess of production, rose 38%; lumber shipments increased 13% to 118,870,000 board feet.

Unfilled orders for paperboard were more than double production in the week ended July 19. Paperboard production amounted to 173,699 net tons, an increase of 30% over the previous week and about 10% over the corresponding period of 1946. New orders for paperboard increased about 5%.

A continued small seasonal decline was evident in butter and cheese production. Meat production in the week ended July 19 increased about 3% to 302,900,000 pounds. Flour production increased 11% in the week ended July 12.

STEEL PRICE INCREASES SEEN MAKING THIRD QUARTER EARNINGS VERY HIGH

On an annual basis steel consumers will pay an additional $350 to $370 million because of the steel price increases put into effect last week and this week, according to "The Iron Age," national metalworking weekly. "The Iron Age" weighted finished steel composite price this week is up $5.90 a ton. A straight average of the increases would be higher than this but "The Iron Age" figure gives weight to the actual shipments of the various products involved in the series.

The stiff advances made in all major products which ran from $5 to $10 a ton will without doubt substantially cover increased cost brought about by the steel labor contract, the coal wage agreement and part of the higher scrap costs. On a percentage basis the average steel boost takes the steel price level to 37% above the average prevailing in 1939. During that year steel prices had been driven to rock bottom because of a rugged price war among steel firms. The actual increase in prices since prewar days appears to be somewhat less than the higher levels reached on many other commodities.

Steel wages in 1939 averaged 84.2¢ an hour and the current labor rate is estimated at around 1.56¢ an hour, an increase of 85% over the 1939 level. Scrap prices today average $40.83 a gross ton compared with $16.39 for the year 1939, or an increase of 149%. It is expected, however, that the current high level of scrap prices will not be maintained throughout the year.

With the current steel price advances effective immediately on

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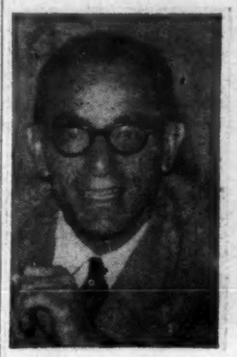
Observations . . . .

By A. WILFRED MAY

MID-YEAR DOUBLE-TALK

The basic lesson to be drawn from the Midyear Economic Report of the President is not so much that it falls into error and inconsistency, nor that it is short of "answers"; but rather that economics is not a science, that forecasting is futile, and that government planning is to be avoided. The fault actually lies not with the Administration's 2,192 economists who directly or indirectly concocted the 30,000 word product, but with the President for submitting this mid-year treatise when the law requires a report from him only once a year.



A. Wilfred May

For the typical result of this herculean expert effort is an 80-page document replete with charts and tables and overlaid with scientific trappings; but filled with recurrent inconsistencies, hedges, direct contradictions, criticisms and pious hopes, ideological argument, rationalizations (about wage policies), and political coloration.

Straddling the Inflation-Deflation See-Saw

The foremost manifestation of this melange of inconsistency is the treatment of inflation and deflation. The Report seems to tell us that *inflation* is the great danger, but that on the other hand *deflation* is the threat; that wages are not able to keep up with inflated prices, but on the other hand that it would be disastrous to expand the consumers' buying power through a reduction in their taxes. Obeisance is made to pointing out the danger of a wage-price spiral, yet in several other sections of the document Mr. Truman seems to circulate a pro-labor lawyer's brief in stating that "wage increases are still needed to attain workable relations in the wage and salary structure." And, of course, he chose to overlook the effect of the $6 billion inflationary impact resulting from the recent 15-cent hourly increase. His commentary on the recent wage rises in the coal industry can be called nothing but masterful rationalization, as follows: "The earnings of the coal miners under the new contract must be judged in the light of the character of their work and the labor needs of the industry [?]. There has been exaggeration [!] of the size of this adjustment compared with the adjustments previously made in many other industries. Every effort should be made to absorb the cost increases in the coal mining industry and the industries indirectly affected, through increased productivity and through reduction in profit margins." In other words, here the danger from boosted wages supposedly is that the mine owner and the steel producer will not sacrifice his profit to rescue both the worker and the consumer. But even this is hedged elsewhere in the report by the pronouncement that "it should be recognized that some wage increases will require price increases." Mr. Truman cajoles labor most unrealistically—supposing that it or any other group will act from national rather than from self-interest—idealistically to forego wage increases for sustained employment arising from stable prices.

For or Agin' It?

With similar contradictions the Report both supports and pillories private enterprise and the free market. Various gestures are made in deference to the enterpreneur, but then much also is made of the disastrous effects alleged to have resulted from the discarding of government restraints after World War One when "the free market" was responsible for skyrocketing prices and the subsequent collapse.

The President's Report seems to be at a total loss to account for past forecasting errors, and whether it should currently come out with definite prophecies. For example, he says: "Month by month there has been talk of recession [surely by government economists]; month by month recession has failed to materialize." We had been told that the lag of wage-rises behind rising prices, combined with the supposed dissipation of the consumer's savings, would cause an unbridgeable "gap" between buying power and production. Yet it has happened that labor difficulties have since been peacefully settled, and consumers have been spending even more, both absolutely and in proportion to their savings. Likewise have the earlier inventory and construction bugaboos been dissipated by the actual course of ensuing events.

Unfortunately, the President's "double-talk" just as strongly permeates his observations of our current position. First he describes the best of all worlds wherein "Americans today live in a richer and more productive economy, and are enjoying its benefits more equitably, than ever before in peacetime history . . . in the midst of unprecedented prosperity." But he also finds that large export surpluses are creating a strain on, and a temporary stimulant to, the economy; and manages to worry over the downward trend of consumers' *real* income, over incipient unemployment, and over the declining ratio of outstanding consumer credit to consumers' disposable income.

"Our economic problems are never very simple" (page 8 of the Report).

Clyde Eastus in Ft. Worth

FT. WORTH, TEX.—Clyde O. Eastus is engaging in securities business from offices at 212 West Seventh Street. Mr. Eastus was formerly U. S. attorney for the northern district of Texas.

Harry Bruce Joins J. Earle May & Co.

Special to THE FINANCIAL CHRONICLE

PALO ALTO, CALIF. — Harry A. Bruce has become associated with J. Earle May & Co., 157 University Avenue. In the past Mr. Bruce was with Mitchum, Tully & Co. and Blyth & Co. and was an officer of Heller, Bruce & Co.

J. Barth & Co. Opens Los Angeles Branch

LOS ANGELES, CALIF. — J. Barth & Co., members of the New York and San Francisco Stock Exchange, have opened a branch office in Los Angeles under the co-management of Walter E. Lawrence and John Meyer.

Eric Johnston Upholds Marshall Plan

In Chicago address, industrialist reports on recent European visit, and scores Russia's refusal to cooperate. Lays down four conditions for success of Marshall Plan, viz: (1) European nations must first put house in order; (2) plan must be self-liquidating; (3) national suspicions and mistrust should be allayed; and (4) there must be freer interchange of goods and services.

Speaking to the National Association of Credit Jewelers in Chicago on July 28, Eric Johnston, the president of the Motion Picture Association of America, returned last week from a five-weeks' trip through 11 European countries, in each of which he conferred with high government officials on political and economic conditions, said that "the struggle between the two worlds — the political democracy of the west and the politburo democracy of the east — a free, democratic society on one hand and a frozen totalitarian society on the other — has been intensified in the last few weeks by Russia's boycott of the Paris conference."

Eric A. Johnston

"Russia's iron-handed orders to her vassal States not to participate in the Paris conference," Mr. Johnston asserted, "dissipated the last vestige of the fiction that she did not interfere in the sovereignty of those vassal States. I found that the people of the countries I visited wanted to be represented.

"Russia's intentions are now clear," he added. "Up to this time, her relations with her vassal States have been largely political. Now she is trying to tie them to her with a five-year economic plan of her own. She wants not only complete political domination but also absolute economic domination over them.

"Russia is dangling her current large wheat crop and her natural resources before the hungry eyes of a starving continent as bait, but as always she has a large crop of political commissars as well. She is saying that she can give Europe everything the United States can give it and more, but when she delivers assistance, political commissars go along with it.

"The people of western Europe see what's happening in the east, and are fearful that they will be next unless Russia is told that she can go so far and no farther.

"Western Europe and the United States are now determined that economic recovery shall not be held back any longer by Russian vetoes. Two years have been wasted by trying to cooperate with Russia, but Russia's veto has always stood in the way. The Paris conference is making progress because there have been no deliberately designed delaying tactics. There is no one there to use the veto.

"Time is running out on us. Another fuelless winter faces Europe, but the prospect of the Marshall Plan has given western Europe its first ray of hope since the end of the war.

"I found this true wherever I went, and everywhere I was asked if the American people would support a Marshall Plan and stay with it, or whether we would withdraw again from Europe as we did after the last war.

"My answer was always this: that, in my judgment, the American people would support a reasonable program to aid Europe provided the countries of Europe, in co-operation with each other, worked out a practical program to help make Europe self-supporting and self-reliant.

Conditions for Success of Marshall Plan

"I told them that four conditions were essential:

"First, that the countries of Europe must put their own houses in order, balance their budgets, build sound currencies. Without sound currencies, farmers aren't willing to sell their produce, and workers have no incentive to produce or to save. It is this fear of worthless currencies which is holding down industrial and agricultural production in some countries.

"Second, I believe the plan must be self-liquidating. Otherwise, it will degenerate into an international dole which would not build a sound foundation for recovery in Europe and which the American people would not long support.

"Third, I believe there must be a genuine desire among the nations of western Europe to allay suspicions and mistrust of each other and of America—a real will to work together for the good of the whole.

"Fourth, any practical program must envisage a greater exchange of goods and services among the nations of Europe and with the rest of the world. The Marshall plan or any other plan will accomplish little or nothing unless trade barriers are reduced to permit a freer interchange of goods and services.

"In Paris, I was told that the western European nations are moving rapidly ahead with their own plans to develop a recovery program.

"When this is done, the next move will be up to us—to decide how and the extent to which we are prepared to go to help Europe—and how soon. We can't delay too long.

"Russia has already made up her mind on her program of expansion and aggression. Fourteen men in the Kremlin have made that decision. But in a democracy like ours, 140 million Americans must decide on our course of action.

Decision Not Easy

"Our decision is not an easy one to make. The choice that lies before us isn't a question of choosing white or black. There are too many gray shadings in the picture. There are risks both ways. No decision we make will be all to the good or all to the bad. If it were all black on one hand and all white on the other, the choice would be simple.

"But in this intensified struggle between the two worlds of today, most of the weapons are in our hands, because we are fighting with economic weapons.

"Russia has made two colossal blunders in the last decade. First, there was her pact with Hitler, and now there has been her boycott of the Paris conference. In every country I visited, I found the boycott had hurt the cause of the Communist party. A trade revival under the spur of the Marshall plan would be a further kick in the pants to the Communists; it could even serve as a magnet to draw away some of the vassal states from the Russian orbit.

"Russia is interested in ideologies and not in people, and she will force sacrifices on her people to strengthen her frozen world of totalitarianism.

"If we're going to help Europe help herself, we've got to make some sacrifices voluntarily. The stakes in this contest, which will decide the fate of mankind for generations to come, are high enough for us to make some sacrifices now. We can do that without undermining our own economy. That must never be allowed to happen.

"Our chance of helping to restore world order and to revive world economy depends entirely on our continued strength at home. Our decision as to what we're going to do must be determined by the looks of the balance sheet after a reckoning of what Europe can do for herself and a reckoning of what we can spare to help her help herself."

With John P. O'Rourke Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Stanley I. Sweich, formerly with Rogers & Tracy, Inc., has become associated with John P. O'Rourke & Co., Board of Trade Building.

Flint Rejoins Rogers Tracy

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Arthur McG. Flint has rejoined the staff of Rogers & Tracy, Inc., 120 South La Salle Street. Mr. Flint has recently been with Kebbon, McCormick & Co.

Marshall Plan Hopes and Fears

By PAUL EINZIG

London observer notes widespread popular interest in Marshall Plan both in its political as well as its economic aspect. Sees fear that aid under plan, if widely distributed, will be ineffective, and failure of plan may drag Britain towards the Left. Wants deferment of Sterling convertibility.

LONDON, ENG.—It may be stated without fear of contradiction that the Marshall Plan is by far the most-discussed topic in Britain today. By comparison the wars in Greece, Indonesia and China receive scant attention. In political and business circles, in clubs and restaurants, in trains and in shops, people discuss their hopes and fears about the chances of the plan. At last even the man in the street is beginning to realize what is at stake, and is beginning to take an intelligent interest on technical questions such as hard and soft currencies, non-discrimination, unrequited exports, convertibility of sterling, etc. The possibility of substantial cuts in food rations in case the Plan is rejected or whittled down by Congress is freely envisaged. Nor is this the worst that is feared. The probable political consequences of a failure of the Marshall Plan to materialize are envisaged with even graver concern than its economic consequences.

Dr. Paul Einzig

Until recently Conservative circles were inclined to believe that a major economic crisis, by discrediting the Socialist Government, would lead to a Conservative revival. The more realistic among them are now convinced that any change in the political trend in Britain could in existing circumstances be only towards the left. Discontent through cuts in food rations, and through unemployment caused by cuts in raw material imports, would in all probability strengthen the left wing of the Labor Party. This would presumably mean more anti-capitalist legislation and a reorientation of British foreign policy in favor of Moscow.

The political effect of the absence of adequate assistance under the Marshall Plan would be even more pronounced on the Continent. In Britain the Communist party is numerically insignificant and has only a nuisance value. In France and Italy, on the other hand, there are large and powerful Communist parties, and an aggravation of the economic situation is certain to put them into power, whether by constitutional means or otherwise. Once these two major countries have turned Communist the entire Continent would soon be under Moscow's control.

For this reason, doubts are entertained in many quarters whether after all, the formula of the Marshall Plan is the right one. Under it the amount that the United States is able and willing to contribute towards European reconstruction would be frittered away among a large number of participants. The view is held that it would be a more realistic policy to concentrate on the countries the fate of which will determine that of the rest of Europe. If Britain's position becomes consolidated through timely and adequate assistance, it would be in a position, in turn, to assist the smaller continental countries, as indeed it has been already assisting them far beyond its means. France and Italy too would have to be supported by the United States, as they are too large to be supported by Britain. And, of course Germany would continue to require constructive American intervention.

There can be no doubt, however, that Britain holds the key position in the reconstruction of Europe. If conditions there should deteriorate during the coming winter, it would greatly aggravate the difficulties of reconstructing Europe. For the present, no immediate direct assistance is called for. After all, a large part of the proceeds of the loan is still unspent, and the British Treasury has a substantial gold reserve. What is more important in the immediate future is that Britain should be given a chance to make the best use of the breathing space secured by the possession of these resources. From this point of view the reported decision of the United States Government to agree to an interpretation of Clause 9 of the Loan Agreement under which Britain would be entitled to discriminate in favor of imports from its non-self-governing Colonies has been welcomed as a step in the right direction. As far as it goes it will enable Britain to import food and raw materials for which it could not afford to pay dollars. But it is generally felt in London that it does not go far enough, as it excludes the self-governing Dominions.

The efforts of the United States to secure equal treatment for American exports are considered here perfectly legitimate and reasonable, but somewhat ill-timed. It is felt that so long as the American export surplus remains in the neighborhood of $8 billion per annum no extra efforts for its maintenance and increase are really called for. It is not to the interests of the United States that Britain should use up all its dollar resources within the next 12 months, because then British purchases of American goods would be curtailed just about when the world will turn a buyers' market. That even under the Marshall Plan, Britain would not receive more than a fraction of the dollars needed to meet the huge deficit of its balance of payments is now considered certain. Why then, it may be asked, is Britain forced to use up its dollars in the near future, as a result of non-discrimination and convertibility? If both principles were suspended for the present, Britain could husband its dollar resources, so that they would be available when they could be spent for greater benefit to both countries. At present the dollars are spent mainly on food, tobacco and films, because the American machinery and equipment that is vital for reconstruction is not yet available. By the time they become available there will be no more dollars left to buy them. It might be, therefore, more advantageous to give Britain a chance to slow down the pace of its present dollar expenditure. At present the United States export in any case rather more than they really want to. Would it not be better to defer by a year or two the British purchases by allowing Britain to divert some orders to other countries? The help provided by such means would be incomparably more valuable than anything the Marshall Plan could possibly offer; and the limited amount that would be available under that plan could be made to go a longer way.

Consolidation—One Answer to Municipal Ills

By EDEN B. THIRKIELD

Economist for Wainwright, Ramsey & Lancaster, New York City

Former Assistant to New York City Comptroller urges increase in "area" and "authority" self-sustaining projects; emphasizes that corporation management efficiency could be used to good advantage by towns and cities with clearing out of old practices that take heavy toll of the municipal dollar; substitution of government by fact for government by habit and tradition.

Haphazard growth due to unpredictable shifts in population will force many of our cities to find ways of taking advantage of the economies and conveniences of consolidation. Merging of separate industrial units has made possible in the United States the lowest cost to consumer and the highest actual individual earning power of any industrialized country anywhere. Some of the largest combinations have grown to a stature that may seem somewhat ungainly but no thinking person seriously questions the sheer operating efficiency of the corporations that provide the world's highest material standard of living.

Eden B. Thirkield

At the head of a corporation usually presides a very able executive and administrator who, to hold his job, must face the owners of the business, the stockholders, every so often and tell them what he has done with their assets.

What he says is subject to independent audit and he cannot—even if he wants to—dodge the truth for very long. If his story is a favorable one the shareholders may collect something in the form of a dividend on the money invested in the business; if it is not a good story the reason is given and the shareholders wait for another meeting.

Too many excuses and poor stories usually mean a change in management. On the other hand, the owners of a business are eager to hold on to an executive who produces satisfactory results.

Towns and cities exist because trade is within their borders or is nearby. Communities have just two sorts of assets—homes and places of business of one kind or another. Throughout this country's history from the beginning, the resiliency and ingenuity of trade and over-all business have been sufficient to support the areas where even a generally lax and indifferent government prevail. That these areas are growing fewer is cause for genuine rejoicing.

Municipal Administrative Laxity

It is a psychological oddity that the management of places where the most efficient, ingenious, industrious, and mentally and physically alert and virile people in the world live, receives relatively scant notice in comparison to the attention given the most minute details of operating and directing individual business. Yet, obviously, the community is the sum and substance of everything else put together. Nevertheless, there is frequent laxity in both the process of electing officials to public office and gauging the results of their operations after they have assumed charge of local affairs.

The administration of a community is serious business; in many places it is so regarded. Moreover, penetrating looks have been cast more frequently of late into musty corners to learn as nearly as possible just where the traditional "friendliness" of "city halls" can be blended with at least some of the efficiency that has made business management such a success in this country. Happily, there is an increasing public consciousness that further socialization and bureaucracy will only add to current ills. Those who have been dubiously successful in supplanting corporate success with bureaucratic inertia have found that they have traded sprightly profits and sources of taxation for a chilly and unresponsive corpse which is dead but hard to bury.

Opposition to Consolidation

Municipal consolidations—and by this is meant not only the merging of separate communities but profitable consolidations within communities themselves, departmental and otherwise—must always face a certain degree of opposition which is more human and emotional than logical.

Before proceeding into the area of intercity consolidation, the possibilities of intracity piecing together of closely related departments might well receive serious consideration.

In at least two fairly large cities in the last several months a valuable contribution to consolidation has been made by an examination of departmental functions and preparation of new organizational charts. Quite properly such a review is the cities' most direct approach to inter and intradepartmental renovation and revision. Looking into departments that have been run for years on a basis of habit and tradition instead of on a basis of fact could at least reveal how clumsy some atrophied arms of government have become and how easily they could be gradually abandoned or redesigned.

Officials of one of the two cities mentioned entered into the proposition of renovation with some reluctance, believing, sincerely enough, that an analysis would only confirm the traditional belief that the affairs of the community were conducted on a wholesome and reasonably efficient basis and without visible corruption.

All department heads were requested to submit a review of their needs and the reasons for each employee. It was also asked that the latest diagram of departmental operations be brought in to the city executive manager's office accompanied by a schedule of personnel conforming as nearly as possible to the diagram.

Some weeks later the responses to this request began to appear and it is worth noting that the most recent chart or diagram of personnel was drawn up in 1917.

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Public Utility Securities

The Hydro-Electric Utilities

Since John L. Lewis obtained new wage increases for his miners, which threaten to increase the price of coal by perhaps 75¢ to $1.00 a ton (including also the higher freight rates to move the coal) there have been some fears that earnings of the electric light and power industry will be badly hurt, despite the record-breaking business now being done.

It is true that the burden, added to increasing labor costs, may reduce next year's earnings. But it seems unlikely that it will be an important factor in this year's earnings because most utilities maintain substantial stockpiles of coal, and the cost of this coal will not reflect the pending increase. Moreover, probably one-quarter to one-half the increase can be passed along to commercial and industrial customers, since a large proportion of rates for these classes of customers contain "escalator" clauses which work more or less automatically. Of course where a sharp rate increase to an industrial customer might lead to cancellation of the business, the utility would probably rescind the increase. But as competitive sources of power (such as diesel engines, etc.) are also rising in cost this would probably not be necessary in a majority of cases.

Another factor which will soften the burden is the fact that 38% of net earnings is paid out to the Federal government in income taxes—thus the Federal Government absorbs one-third of the higher costs. Of course this protection is decreased now that the excess profits tax has been cancelled, but it is still an important factor.

Considering the rapid rise in fuel costs in recent years, it might be assumed that the hydro-electric companies would be a favored group marketwise. But so far as the writer is aware there has thus far been little attempt to distinguish between the stocks of the hydro and steam companies. One difficulty is that there are hardly any clean-cut situations — few companies obtain all their power from one source. And most companies buy some of their power from other companies, which adds to the difficulty of appraising the situation.

Another reason why the hydro companies have not gained in popularity is that practically all of them must maintain standby facilities, or power purchase contracts, to provide against low water conditions which occasionally prevail when there is a regional drought. There are apparently very few companies which are wholly free of drought difficulties—Idaho Power being an outstanding example. One example of sharp earnings fluctuation in a hydro-electric company is South Carolina Electric & Gas, whose share earnings in 1945 dropped nearly two-thirds (from 90c to 31c) due to low water conditions. In this case, however, the effects were exaggerated because the company had contracted to sell firm power to other companies. Hydro companies may also suffer from floods, as occurred recently with Central Vermont Public Service, which had to pass its dividends on the common stock.

Following is a list of companies (other than holding company subsidiaries) which in 1945 generated over half their power requirements from hydro plants:

	Fuel	Hydro	Purch.
Bangor Hydro-Elec.	--	99%	1%
Calif. Elec. Power	--	84	16
Calif. Oregon Pwr.	6%	91	3
Central Maine Pwr.	8	89	3
Holyoke Wtr. Pwr.	40	60	--
Pacific Gas & Elec.	13	62	26
Idaho Power	--	91	9
Penn. Water & Pwr.	11	56	33
Public Serv. of N.H.	21	70	9
Puget Sound P. & L.	4	64	32
Rockland Lt. & Pwr.	4	72	24
Sierra Pacific Pwr.	--	64	36
So. Calif. Edison	10	88	2

To Survey European Financial Centers

To obtain first hand reactions to the Marshall Plan and its possible effect on the European economy, Arthur Wiesenberger, senior partner of Arthur Wiesenberger & Company, 61 Broadway, New York City, members of the New York Stock Exchange, is sailing for Italy today (July 31) on the S/S Saturnia.

Mr. Wiesenberger plans to visit important European financial capitals on a two months' tour to interview leading bankers and industrialists on the probable results of the Marshall Plan. Also to investigate opportunities for improving the present stalemate of security transactions between European investors and the U.S.A.

Depreciated Dollar Should Mean Higher Stock Prices

By G. Y. BILLARD

Partner, J. R. Williston & Co.

Pointing out the dollar now represents only 65 cents of prewar value, Mr. Billard contends present stock prices, though in historically high area, are not at a level justified by dollar depreciation.

Official recognition of the fact that a boom rather than a recession is at hand came with the President's mid-year report on the economic situation, issued on July 21, stating in part: "At mid-point in the year 1947 we have surpassed previous high records of civilian production and are now producing goods and services at a rate of $225 billions annually. Month by month there has been talk of recession; month by month recession has failed to materialize. In June we reached a level of 60 million civilian jobs, regarded by many as impossible of attainment. Our standard of living is exceptionally high, and purchasing power has thus far been adequate to absorb completely the enormous production of American farms, mines, and factories. Farm income has attained a record level. The financial position of business is strong. A healthy slowing down in inventory accumulation has taken place. Business investment in plants and equipment has increased this year even above the record highs of last year."

Gordon Y. Billard

All of this is history and is being reflected in the brilliant earnings statements now being published for the second quarter—and in mounting dividend payments. More important consideration is: What lies ahead?

Inflation

As we have somewhat monotonously pointed out before, both prior to and subsequent to World War II, history proves that major price inflations have followed all wars.

Looking at the present situation realistically, we might observe that a quarter of a century ago the gift of a nickel or a dime opened a youngster's eyes—and only a few years ago it took a quarter to produce the same effect—but a few years hence it could easily require a dollar to cover the quarter. This is something that the stock market has yet to fully reflect. The public has not, we venture to say, recognized the full meaning of the fact that government debt was $1,188 million in 1914; $25,482 million in 1920; $72,422 million in 1942, and $269,-422 million in 1946. No amount of pious explanation from politicos can minimize the significance of these few simple statistics, because therein lies the root of all evil.

According to a comprehensive report just issued by the Committee on Public Debt, headed by the Vice-Chairman of the National City Bank and prepared and distributed under the auspices of representatives of New York Life and Mutual Life Insurance, "the core of the problem . . . is the huge size of the national debt left us by the war. This debt affects the life of every man and woman in the country and it will

(Continued on page 32)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks and Trust Companies of New York—Comparative figures as of June 30 on leading banks and trust companies—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Earnings Comparison for second quarter of 1947 of **19 New York City Bank Stocks**—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Local Notes—Brief comment on Kentucky securities—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Kentucky.

Railroad Developments—Current action in the field during the week—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Regional Aspects of Rail Investments — Memorandum — Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Six Stocks for Income and Appreciation — Brief Analyses — Joseph Faroll & Co., 20 Broadway, New York 6, N. Y.

Sound Position of the Canadian Dollar—Study in the current issue of **"Quarterly Canadian Review"** —Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Also in the current issue are studies of **The Dominion Government** and eight of the **Canadian Provinces.**

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Anheuser-Busch, Inc. — Recent Report—Stifel, Nicolaus & Co., Inc., 314 North Broadway, St. Louis 2, Mo.

Beacon Hotel—New Statistical Report—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Also available are reports on **Broadway-Trinity Place, London Terrace Apartments, Wall & Beaver Streets, and 870 Seventh Ave.**

Central Vermont Public Service Co. — Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Certain-teed Products Corp.—Memorandum—Otto Fuerst & Co., 57 William Street, New York 5, New York.

Chicago, Rock Island & Pacific Railroad—Detailed Memorandum —Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Colorado Milling & Elevator Co. —Memorandum — Buckley Bros., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Southern Production Co.**

Disticraft, Inc. — Progress Report—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Illinois.

Fairbanks Co.—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; United Artists; Vacuum Concrete; Fleetwood Air Flow; Lanova Corp.; Lawrence Portland Cement; Sterling Motors; Diebold.**

Fleetwood Airflow, Inc. — Memorandum—Fitzgerald & Co., Inc., 40 Wall Street, New York 5, N. Y.

Graham-Paige Motors Corp.— Analysis—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also available are analyses of **Consolidated Dearborn Co., Osgood Company "B," Wellman Engineering Co., Tennessee Products & Chemical,** and **Argo Oil Corp.**

Long Bell Lumber Company— Detailed analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

National Terminal Corp.—Memorandum for dealers only—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

Parker Pen Co.—Timely background story in the July issue of **"Business and Financial Digest"** —Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available are analyses on **Stern & Stern Textile, Inc., and Rome Cable Corp.**

Robert Gair Company, Incorporated—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Utica & Mohawk Cotton Mills, Inc. — Circular — **Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.**

Weber Showcase and Fixture Co., Inc.—Recent Analysis—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Webster Chicago Corporation— Analysis and Outlook—Also copy of letter mailed to stockholders by the company—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

COMING EVENTS

In Investment Field

Aug. 10-14, 1947 (Boston, Mass.)

National Security Traders Association annual convention at the Hotel Statler.

Sept. 20, 1947 (Chicago, Ill.)

Municipal Bond Club of Chicago Outing.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Bonds of City of Brisbane Drawn for Redemption

Holders of 30-year sinking fund 5% gold bonds, due March 1, 1957, of the City of Brisbane are being notified that $101,000 principal amount of these bonds have been drawn by lot for redemption on Sept. 1, 1947, at par. The bonds will be redeemed at the head office of The National City Bank of New York.

Urges Study of Taft-Hartley Act

Col. Allan M. Pope, President of First Boston Corporation, tells business how to operate under its provisions "with justice and fairness now becomes paramount concern."

In his opening address at the Seminar Meeting of the Commerce and Industry Association of New York on July 29, Col. Allan M. Pope, the President of the organization, who is also President of the First Boston Corporation, stresses the importance of making the Taft-Hartley Labor Act fully effective and for both labor and management to determine at the outset the obligations of each and "to perform these obligations in a spirit of wholehearted cooperation and fair play."


Allan M. Pope

"The Taft-Hartley Act is now the law of the land," Col. Pope stated. "On August 23, just 25 days from today, it becomes fully effective. How to operate under its provisions with justice and fairness now becomes of paramount concern to both sides.

"Great opportunities for the promotion of peaceful relationships between management and labor present themselves. Grave dangers also are inherent in the situation unless both management and labor fully realize their responsibilities not only to themselves but to each other and determine at the outset that these obligations shall be performed in a spirit of wholehearted cooperation and fair play.

"It was with these thoughts in mind that the Commerce and Industry Association decided to bring together the leading minds among personnel and industrial relations executives to discuss fully and thoroughly the changed concept of labor-management relations inherent in the Taft-Hartley Act.

"The two-day seminar which opens this morning is designed primarily to give management the benefit of the points of view of men who have lived for years with the labor relations problems of business so that a guide might be set for a future free from industrial strife."

Foresees Litigation Arising Out of New Labor Law

But NAM counsel believes both labor and management will weary of delays in judicial proceedings and anticipated difficulties in enforcing Taft-Hartley Act will be overcome.

Management could render a "constructive public service" by utilizing the free-speech provisions of the Taft-Hartley Act to inform employees, "fairly and objectively" of the scope and effect of the new labor law, Raymond Smethurst, Counsel for the National Association of Manufacturers, suggested in an address before the Silver Bay Conference on Human Relations in Industry, Silver Bay, N. Y. on July 25.


R. S. Smethurst

"The law has been misrepresented," Mr. Smethurst said. "It is not widely understood. A program to inform employees, fairly and objectively, could allay much doubt, fear and uncertainty. It would constitute a constructive public service."

Foreseeing opposition to the new labor law by organized labor, Mr. Smethurst suggested that experience will teach both management and labor that failure to attain peaceful settlement of their problems would invite intensified government intervention.

"Temporarily, at least, the new law will face the constant opposition of organized labor," he said. "Litigation and boycotts may delay effectuation of its purpose. In all probability, unions—like employers in the mid-thirties—will grow tired of expending large sums in litigation.

"Perhaps both sides, given more nearly equal remedies under the law, will ultimately weary of the delays of bureaucracy and judicial proceedings. If labor and management reach that realization, perhaps both will be more disposed to settle their own differences peacefully, at home, without government intervention, and with due regard to the interest of those they both must serve: the consumer.

"Such a result may be wholly illusory; utterly impossible to attain. But the alternative is one neither labor nor management can escape: a form of governmental regulation more intensive and complete than either has yet experienced, even in time of war. Let us hope, in the best interest of our country, that both management and labor will show the self-restraint without which no government of laws can survive."

Tracing the development of the new legislation, Mr. Smethurst said:

"Labor law, like the field of labor relations with which it deals, is never static. Long before enactment of the Taft-Hartley Bill, the nation's labor policy was being slowly revised. One state after another sought to minimize the economic loss from labor disputes by regulating union or employer practices believed to be contrary to the public good.

"Responding to a similar public demand, administrative agencies and the courts began the process of modernizing Federal policies to conform to present conditions and needs. The realization has steadily grown that policies originally designed to build strong labor organizations were not adequate to assure a degree of public responsibility commensurate with labor's newly acquired strength and influence.

"Viewed against this background, it is obvious that the effect of the Taft-Hartley bill has been distorted and greatly exaggerated."

Joins R. S. Hays Staff

Special to THE FINANCIAL CHRONICLE

DURHAM, N. C.—Henry S. Lougee is now with R. S. Hays & Co., Inc., 111 Corcoran Street.

With S. Wade Marr

(Special to THE FINANCIAL CHRONICLE)

ELIZABETH CITY, N. C.—John S. Murph is now connected with S. Wade Marr, Carolina Building.

Equitable Office Building Reorganization Sets New Pattern

By ALEXANDER B. MORSE

Securities analyst, reviewing the success of the stockholders of the financial district's largest building in using an underwriting to save their equity from foreclosure, ponders the availability of the method in future reorganizations.

The reorganization of Equitable Office Building Corporation has been followed by the financial community as presenting a remarkable variation from the usual pattern. In it, a new procedure has been developed by which junior security holders, seeking to preserve their equity, no longer have to place their sole reliance in piling up testimony to support their opinions of value. Instead, they have availed themselves of the machinery of an underwriting to prove the only kind of value which can be established beyond question — market value. In order to understand the significance of this case some familiarity with its history is required.


Alexander B. Morse

Slightly more than a year ago, it appeared certain that the plan of reorganization of Equitable Office Building Corp., which gave 92% of the equity to the debenture holders, would be consummated. At that time the situation was a favorite of the arbitrageurs, while a short sale of the stock was regarded as a conservative investment. After more than five years in the courts, the value of the debtor's property had been judicially fixed at a figure which left the stockholders only an 8% equity, the plan had been approved and confirmed, and the time for appeal had expired.

At noon on July 11, 1946, just two hours before title to the building was to be transferred to a new corporation, a group of stockholders represented by T. Roland Berner intervened with an offer to save the stockholders' equity through an underwriting of the sale of new stock to the stockholders. Although the offer provided for full payment of the claims of the debenture holders with interest, they unanimously opposed it, as was readily understandable, since the price of the bonds had risen to double the amount of principal and interest.

The Circuit Court Decision

The resulting legal issue was decided in favor of the stockholders by the United States Circuit Court of Appeals and the Supreme Court of the United States in the case of *Knight v. Wertheim.* In ruling that the offer did not come too late, the Circuit Court of Appeals specifically distinguished the situation from one where competitive bids have been called for, saying in an opinion by Judge Learned Hand:

"We recognize that, except upon the extremest provocation, courts will not upset a judicial sale at auction, upon the ground that a new bidder has appeared who offers more than the knock-down price (citing cases). This unwillingness results from the effect upon such sales of knowing that a prospective bidder may abstain from bidding at the auction, may bide his time, and may then outbid the price at which the property has been struck down. That possibility tends to chill bidding at the sale, to dispose of the property by later competition on successive bids, and thus to defeat the very purpose of an auction, which is to fetch together all those who may be interested to buy and to set them against each other with whatever stimulus that may provide, as opposed to other kinds of sale. None of this applies to a plan of reorganization. True, that presupposes a concourse of conflicting interests—creditors of different priorities and shareholders of different ranks—whose compromise in the plan itself will be a result of competition. But there is no occasion when all are brought together and pitted against each other in a cash bidding: i.e., there is no occasion equivalent to an auction whose finality must be preserved if its advantages are to be preserved."

The case was sent back to the United States District Court with instructions that the stockholders should have an opportunity to procure an underwriting which would "produce enough money to pay off the debenture holders, principal and interest." On, the application of stockholders Knight and Doyle, filed by Mr. Berner as counsel, the District Court ordered the Trustee to advertise for sealed bids for an underwriting which would comply with the mandate of the Circuit Court of Appeals, such bids to be opened on July 7.

On July 7, two sealed bids were received and opened, one sponsored by the Manufacturers Trust Co., and the other from a group headed by Wertheim & Co.

Wertheim & Co. offered to underwrite an offering to stockholders, share for share, of new stock at a minimum of $5.50 and a maximum of $6.00 per share. In addition, stockholders were to get one new share for ten old and the underwriters were to receive 50,000 new shares as compensation.

The Manufacturers Trust Co. offer was based on increasing the first mortgage from $15,583,000 to $18,000,000, while reducing the interest rate from 4.4 to 4%. The additional money was to be provided by offering to stockholders, share for share, new stock at $2.00 per share, the underwriters buying additional stock at the same price.

SEC's Position

At a hearing on July 22, the Securities and Exchange Commission advised the Court that it considered both plans feasible, although they were based on entirely different financial structures, but that both were unfair to the stockholders, mainly because it considered the compensation to the underwriters too high. It suggested that both underwriting groups improve their bids in order to meet SEC objections. The Manufacturers group were unwilling to improve their bid if it meant reopening the bidding. Judge Knox then stated that he would not receive new bids, but would permit the two underwriting groups to improve their respective bids, and, if the SEC objections were met, would approve and send both bids to the stockholders.

On the following day, the SEC advised the Court that both groups had met its requirements. Thereupon, Wertheim & Co. asked for a recess. On returning, they made a new offer identical in substantially all respects to the improved offer of the Manufacturers group, but cutting the compensation still further. Mr. Douglass Newman, as counsel for the Manufacturers group, objected to the consideration of this new bid as a violation of the sealed bid procedure and the understanding of the parties when they improved their bids. The Court agreed but adjourned to await the report of the SEC, which will be made at the next hearing at 10:30 a.m. on Aug. 4.

Although the role of the SEC in Chapter X proceedings is advisory only, its recommendations are often given great weight by the Courts. The considerations here, transcending the case out of which they arise, will influence the entire reorganization field.

The financial community will therefore watch with the greatest interest the outcome of the proceedings in the Equitable Office Building reorganization to determine whether or not free competitive bidding for underwritings will be possible in reorganizations.

Holman R. Wilson Is Candidate for Lt. Gov.

LOUISVILLE, KY.—Holman R. Wilson, President of Wilson-Trinkle Co., Louisville Trust Building, is a Democratic candidate for Lieutenant Governor of the State of Kentucky. Mr. Wilson was a candidate for State office four years ago, and received the nomination, but was the victim of a Republican landslide which elected a Governor and heads of nearly all elective offices in a State normally Democratic.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

The 48th annual edition of "Best's Insurance Reports—Fire and Marine" has just been published. This 1,000-page volume contains reports on American stock companies, United States branches of foreign stock companies. American mutual companies, reciprocal or inter-insurance associations, and individual underwriting (Lloyds) organizations. In all, the volume contains reports on 941 insurance organizations which transact fire, marine or allied classes of insurance in the United States and Canada. It contains no reports on life or casualty and surety companies, which are treated in separate volumes.

In the introductory pages, preceding the reports, is a list of names of state officials in the United States and Canada who have charge of insurance affairs. This is followed by a section of several pages entitled "The Fire Insurance Business," which should be "required reading" for every investor and dealer in fire insurance stocks. Of equal importance is the subsequent section entitled "Explanation of Statistical Exhibits," which makes clear such items as admitted assets, policyholders' surplus, loss reserves, unearned premiums, net premiums written, net premiums earned, underwriting ratios, statutory underwriting results, adjusted underwriting results, and a number of other matters which the investor would do well to know, the trader and dealer ought to know and the insurance stock analyst *must* know. The next two pages deal with Best's policyholders' and financial ratings, and an explanation of "convention" valuations of securities. This is followed by a complete alphabetical index to the 941 reports included in the volume.

In the rear of the volume, following the main report section, is the Canadian Company section, which presents a statistical exhibit of resources and operations in Canada of all companies writing fire and allied lines. Sixty companies are briefly covered. Also presented are figures on the Canadian operations of: (1) British and foreign companies which are not entered in the United States; (2) 121 United States companies, and (3) 43 British and foreign companies which are entered in the United States.

In addition to the reports on mutual companies, there is a list and a statistical exhibit of all American mutual companies, state by state. There is also a list of all regulatory and advisory organizations of which each American company is, respectively, a member; a complete list of all underwriter's agencies throughout the country, and finally, a list of stock and mutual companies and reciprocal exchanges which have retired since Jan. 1, 1947. There is not much that this excellent volume has missed!

An interesting table which shows the tremendous growth in business that has been experienced by all stock fire insurance companies during the past 15 years has been compiled from Best's volume and is presented below:

OPERATING RETURNS—STOCK COMPANIES

	Net Premiums Written	*Loss Ratio	†Expense Ratio	Combined Ratio
1932	$676,765,000	53.8%	48.7%	102.5%
1933	614,600,000	44.0	47.9	91.9
1934	663,355,000	43.7	47.3	91.0
1935	685,670,000	40.4	47.9	88.3
1936	735,985,000	45.8	47.5	93.3
1937	802,845,000	45.9	46.4	92.3
1938	750,960,000	46.7	48.4	95.1
1939	799,835,000	46.8	47.6	94.4
1940	917,291,000	49.8	44.6	94.4
1941	1,051,526,000	53.3	42.3	95.6
1942	1,128,360,000	59.0	‡39.7	‡98.7
1943	1,043,835,000	52.1	42.3	94.4
1944	1,138,858,000	57.3	41.3	98.6
1945	1,226,025,000	58.1	41.5	99.6
1946	1,642,599,000	58.2	40.5	98.7

*To earned premiums. †To written premiums. ‡Expense ratios since 1942 are before Federal income tax.

Net premiums written in 1946, it will be observed, were 143% greater than in 1932. In 1932, the underwritings of the companies, as a group, resulted in a loss, as evidenced by a combined ratio of 102.5; on the other hand, the depression years of 1933, 1934 and 1935, with relatively low premium volume, were among the most profitable underwriting years on record, because of exceptionally low fire and overall losses.

Another striking difference between 1932 and 1946 is the distribution of premiums which Best reports as follows:

	Net Prem. Written	Fire	Motor Vehicle	Ocean Marine	Inland Marine	Tornado & Hail	All Others
1932	677	501	75	29	31	35	6
1946	1,643	877	268	119	148	50	181

(Note: figures in $000,000)

In 1932 fire premiums comprised 74% of total premiums, but only 53.5% in 1946. It is also of interest that in 1946 extended coverage represented $153,000,000 of the $181,000,000 of "all others," whereas there was no such line reported in 1932. The year 1943 is the first year in which extended coverage is shown by Best.

The individual reports on the several companies are presented in quite uniform manner. First, is presented the balance sheet statement of the current year compared with the previous year. There then follows: a short history of the company, including all capital changes; description and discussion of management, including Best's policyholder's rating and financial rating; discussion of general underwriting policy; the company's or group's achievements and position; the company's underwriting record over a period of years, with a ten-year statistical exhibit; investment policy and investment holdings; a five-year record of earnings, taxes, dividends, etc., on a per share basis; a history of the price range of the stock over a period of years; dividend record; list of officers and directors; a break-down of premium writings, losses and expenses for the current year; underwriting exhibit, investment exhibit, and movement of surplus for the current year. Each report closes with a five-year comparative financial and operating exhibit.

In closing, it seems worthwhile to quote the following paragraph from the Preface, signed by Alfred M. Best:

"This publication, our 48th consecutive annual edition, supplies unbiased and authoritative data covering the financial responsibility, reliability and characteristics of companies transacting fire and kindred lines of insurance. The reports presented herein upon the respective stock, mutual, Lloyds and reciprocal insurance institutions are necessarily based upon sworn annual statements (accurate analysis of which requires special knowledge and training), and indicate the financial positions, operating results and general standing of the institutions analyzed."

We Are Seeking Peace With Justice

By HON. BRIEN McMAHON*
U. S. Senator from Connecticut

Democratic statesman, asserting we must have not only peace, but peace with justice, points out danger of rift with Russia. Says we cannot afford luxury of drifting, and urges we take inventory of resources and demonstrate our economic strength under capitalism. Points out in aiding Europe we are on horns of dilemma, since with or without aid, Russia may benefit, and to escape this, proposes U. S. invite nations to draw up their security inventories and needs. Holds U. S. should act without Russia.

Although the human family has been confronted with a fabulous variety of problems over the years, there has been an underlying and basic unity of the major and fundamental issues. Libraries of books have been written about those issues, and yet it is not difficult to compress into a single phrase the essence of those books and those issues.

Sen. Brien McMahon

For that phrase also represents the highest and most essential good of mankind — highest and most essential, yes, but until now, unattained. The phrase is "peace with justice." Those words make no particular impact upon the ear; they have lost the vitality and urgency of a fresh image. And yet, cliche or otherwise, those are the only words that properly sum up the human struggle. And the words must be inseparable. Peace by itself and of itself is not the ultimate goal. Peace by itself, as Professor Whitehead reminded us, can be anesthesia. Peace by itself can be stifling, parched, sterile. It can be totalitarian and antihuman. Had Nazi Germany won the war, the world today would be at peace under the iron heel. No one would want peace at that price.

The American people today are not merely seeking peace. They are seeking peace with justice. They are reasonable and they are mature, and they understand the nature of war in general and an atomic war in particular. They know that the cost of such a war would be reckoned in tens of millions of American lives. They know that adequate preparation to fight such a war inevitably requires decentralization of our industry, relocation of large portions of our population and loss of personal freedom—measures such as this democracy has never before known.

They know—and do not have to be frightened in order to be convinced — that if we assume that other nations cannot in the future manufacture atomic weapons for themselves without any help from us, we are building our security out of straws. And they know—with a deep and instinctive wisdom — that the only defense against atomic or bacteriological attack—or worse—is not some ingenious new super-radar or magic interceptor, but peace. Peace, and peace alone, provides the only worthwhile defense against attack.

Peace Not Enough

And yet, peace would not be enough. The peace must carry the substance of justice if it is to be valued. Peace has meaning only if there is also the atmosphere in which free men can breathe and grow—in which it is possible to create ideals and attempt to achieve them; in which it is possible to pursue the mission of progress. And the word which most precisely expresses all these values is justice.

How, then, do we go about avoiding war, yet assuring ourselves that justice will not be sacrificed in the process? There is no absolute answer, of course, except the regeneration of the heart of man and much as we can wish and pray for that blessed eventuality to occur within the required time, we would do well to settle for something less than absolute answers, given the present imperfect state of man and the institutions in which man lives and through which he operates. What we must seek is not sure-fire solutions—for there may be none available at the moment—but something that gives us at least a reasonable chance of promoting both our security and the national welfare.

At the moment, we would be deluding ourselves were we to say that the present world drift, if it continues, holds that reasonable chance. In the last two years, we have seen tragedy developing before our eyes: two great nations on which the peace of the world depends have been unable to find an equivalent for the tie that bound them together when they faced a common danger. The American people—and I am sure the Russian—people hoped in August, 1945 that the common hope for security would have been enough, but that common hope has been over-shadowed—indeed, all but blotted out—by a growing and ominous antagonism. Within the last month, we have seen not only the deepening but the hardening of an actual rift. The most hopeful and promising slogan of only two years ago—"One World" —has now become plural.

This fact strikes us with horror and surprise. And yet, what happened in the last two years could have been predicted. The mushrooming hostility, the moves and counter-moves, the ominous deterioration in the health of the family of nations—all of these were foreseeable *given the framework within which they were to take place.* Nor does one have to be a prophet especially to foresee the consequences of a further deterioration within the next few years—or even the next few months. We have only to construct a rough graph plot in the present rate of disintegration to see where we will come out in the period just ahead.

In saying that the progressive crumbling of the peace during the last two years was largely predictable, we are not attempting to invoke a retrospective wisdom after the event. We were faced at the end of the war with a basic historical challenge—a challenge that has been echoing all through history. Where that challenge was met, people were able to enjoy the blessings of security. Where the challenge was ignored, nations and occasionally civilizations had to pay the ultimate penalty—death or decay. The challenge is not complicated, though it is far from easy to meet. It is this: establishing the rules of the game for nations, with adequate machinery to see that they are enforced. With high hope we took the lead in formulating the U. N. charter in San Francisco. We hoped then that we had set up an organization which could succeed in maintaining the peace of the world. It is true that the veto provision was discussed with some pessimism by the far-seeing—but all hope of limiting its use by the great powers was put aside by what seemed to be a most persua-

(Continued on page 30)

*An address by Sen. McMahon at the Commencement Exercises of Fordham University, New York City, July 27, 1947.

Mutual Funds

By HENRY HUNT

First Half Sales of Mutual Funds Shares

During the first half of 1947, sales indices of mutual funds as compared with a year ago resembled the branches of a Christmas tree on New Year's Day—some pointed up, but more were down. However, in comparison with the contraction in investment activity as measured by the volume of trading on the "Big Board" their over-all showing was a highly creditable one.

Funds of the "balanced" type, in many cases, did better than a year ago. Second grade bond funds were also in demand. One sponsor reports that in recent weeks sales of its preferred stock fund have nearly equaled combined sales of its nine other funds. On the other hand, common stock funds and common stock industry groups sold poorly, by and large, despite the rising market during late May and the month of June.

The outstanding sales record was scored by a mid-western sponsor which has proved that aggressive "Fuller Brush" methods can bring results in the mutual fund business.

Gross sales of 80 open-end funds during the first half of 1947 amounted to $135,900,000 as compared with $210,000,000 for the same period last year. Net sales, i.e., deducting repurchases, amounted to $95,000,000 as compared with $132,000,000 for the same period last year. Net sales of common stock funds showed a percentage decrease of 28½%, while bond and speciality funds, largely industry groups, showed a decrease of 44%. On the other hand, net sales of 23 balanced funds showed an **increase** of 2%. The period under review was also notable for the launching of a record number of new mutual funds of all types. In most cases, sales of the new funds were disappointing to their sponsors.

Stocks Yielding 2% More Than Bonds

Distributors Group in its "Investment News" quotes the following interesting paragraph written by H. J. Nelson of "Barron's": "Significance of the upward march of corporate dividends in the face of all of the widely-stressed uncertainties can no longer be disregarded. Compare the relative yield appeal of bonds and stocks when the Dow-Jones Industrial share average last sold around 185, in a rising stock market. That was Oct. 26, 1945, when the average stood at 185.39. Then, the yield of 3.63% was exactly 1% less than the current 4.63%. Meantime, the return from high-grade bonds, as measured by 'Barron's index, has remained unchanged at 2.63%, with the result that common stocks are now yielding 2% more than prime bonds, compared with a 1% differential in the Fall of 1945."

F. D. R. Was Right!

One prediction of the late President Roosevelt was that there would be 60,000,000 jobs available after the war was over, although, at the time he made the statement it was questionable if even he himself believed it. However, according to the Census Bureau report as noted by **Selected Investments Company of Chicago** in "These Things Seemed Important" "60.055,000 civilians were employed in June, up 1,730,000 over prior high in May. About 1.5 million of the gain represented Summer jobs for boys and girls 14 to 19 years old. Non-agricultural employment rose 310,000 to new high of 49.6 million."

Seligman's Baby Reports

Net assets of **Whitehall Fund**, the latest addition to Seligman's group amounted to $352,600 on June 30. The company's portfolio as of June 30, 1947 shows that 7.84% of net assets were in cash and U. S. Government securities, 22.93% in bonds, 24.91% in preferred stocks, and 44.32% in common stocks. The fundamental policy of **Whitehall Fund, Inc.** is to maintain a balanced fund.

MIT Portfolio Changes:

During the second quarter, **Massachusetts Investors Trust** added only two new common stocks to its portfolio: Aluminium Ltd. and United Fruit Co. Additional shares in the following stocks were purchased: American Research & Development, American Tobacco Common "B," Cleveland Elec. Ill. Co., Cons. Natural Gas Co., duPont (E. I.) de Nemours, Kroger Company, Mid-Continent Petroleum Co., Monsanto Chemical Co., Pacific Gas & Electric Co., Remington Rand, Inc., Sears, Roebuck & Co., and Standard Oil Co. (Ohio).

Complete eliminations included Barnsdall Oil Co., So. Carolina Electric & Gas, Texas Pacific Coal & Oil, Baltimore & Ohio Co., and Monsanto Chemical Co. pfds. Holdings in the following companies were reduced: Gimbel Brothers, Inc., Joy Mfg. Co., Newport News S. D. D. Co., Penney (J. C.) Co. and Chicago, Milwaukee, St. Paul pfd.

Notes:

Eaton & Howard Balanced Fund reported net assets on June 30, of $28,240,000 as compared with $25,816,000 at the year end. The report shows that on June 30, 1947, 11.4% of the Fund was invested in U. S. Government bonds, 8.2% in other bonds, 24.6% in preferred stocks, 54.2% common stocks, while 1.6% was uninvested.

The George Putnam Fund as of July 1, reported total assets of $20,856,000 divided roughly as follows: cash and governments 24%; other bonds and preferred stocks 20%; common stocks 56%.

National Securities & Research Corporation has dressed up its "National Notes" this week using dark blue ink and reproducing an attractive photograph of the earth. It concludes: "While aviation is no longer in its infancy, it is generally considered our No. 1 growth industry. Aviation is still young, and, as in the case of the automobile industry 30 years ago, there will probably be many casualties among existing companies. It is hazardous to select one or two stocks in an attempt to share in the future growth of aviation. Wide diversification of risk is of paramount importance to protect oneself against the human equation of error."

Fundamental Investors, Inc. reports net assets on June 30, of $22,535,000 up approximately $1,000,000 over the year-end figure. Shares outstanding increased 171,000 or 11% during the first six months of 1947. Since the March quarter, there have been a number of changes in the portfolio, and the invested position has been increased from 79.4% to 84.0% by the purchase of additional common stocks of the same general character as those already held in the portfolio.

NSTA Notes

Great sadness fell upon our organization yesterday when we learned of the untimely passing of Tommy Akin. He was President of the NSTA in 1940 and many of us knew him as an outstanding representative of our industry. He had planned to be with us at the Boston Convention. The triangle of Akin, Tegler and Hecht has been parted. God Bless You Tom!

* * *

With our advertising approximately $14,000, we only have two weeks to increase this amount considerably. . . It has been most gratifying to have reports on the work now being done by Vice-Chairman Jack Hawley of New Orleans, Don Summerell of Los Angeles, Burt Horning of St. Louis and many of the affiliate representatives (Presidents) who are supporting our advertising program with eager intensity in spite of the fact our general business is at a much lower ebb than we experienced last year.

Your Chairman is ready at all times to receive contracts by Western Union or Telewriter collect in order that no one be overlooked in this year's Post Convention NSTA Edition of the "Commercial & Financial Chronicle."

HAROLD B. SMITH, Chairman,
NSTA Advertising Committee.
Collin, Norton & Co.,
30 Pine Street,
New York 5, N. Y.

Dominican Republic Calls Dollar Bonds For Redemption

The Dominican Republic announced on July 28 that it will redeem all of its outstanding dollar bonds of the 1922 and 1926 issues—both stamped and unstamped—at 101% on Sept. 1 and Oct. 1 respectively of the current year. In making this known the Foreign Bondholders Protective Council said in part:

"The Dominican Republic has always paid in full the 5½% interest on these dollar issues. Sinking fund payments were suspended in October, 1931 with partial payments in 1932 and 1933. The Dominican Government undertook negotiations with Foreign Bondholders Protective Council, Inc., in 1934 which resulted in the Readjustment Plan of Aug. 17, 1934. The Council recommended this plan to the favorable consideration of the bondholders. Under the Plan the original contract rate of interest was maintained; sinking fund payments were adjusted to cover the maturities extended from 1942 and 1940, to 1961 and 1969 respectively; and the General Receivership of Customs was reinstated. . . . Of the $20,000,000 originally issued, there were outstanding at the time of the 1934 adjustment $16,292,000, and these were further reduced through sinking fund operations to $9,999,500, which is the face amount of bonds to be redeemed."

With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

BROOKSVILLE, FLA.—Donald W. Fatic has joined the staff of Herrick, Waddell & Co., 55 Liberty Street, New York City.

President's Review of 1947 Economic Adjustments

Text of Mid-Year Economic Report describes process of price and wage adjustments; extent of business financing; and recommended fiscal measures.

Supplementing the "Forward and Summary" of the President's Mid-Year Economic Report to Congress, printed on page 4 of last week's "Chronicle," there is given below the full text of Section V, furnishing details of the economic adjustments that have occurred in the first half of 1947 and outlining a future course in economic and fiscal policies "for sustained high production:—

President Truman

To aid in appraising our present situation correctly and in charting a future course, some details of the economic adjustments that have occurred thus far in 1947 will be examined.

The Process of Price Adjustment

The startling rise in prices between the termination of price control and the end of 1946 was a major concern of the Economic Report in January. Price control having been abandoned, I urged businessmen to resist inflationary pressures or temptation and to make voluntary price reductions wherever possible.

During the first quarter of this year, the average of wholesale prices rose another 7.4%, with increases in all major commodity groups. The Consumer Price Index held stable until March, then rose about 2%, chiefly as a result of price increases in farm and food products. Late in March and again in April, it was found necessary again to call attention to the dangerous price situation.

During the second quarter of this year the upward movement in prices appeared to be halted. The average of wholesale prices flattened out at a level slightly below the peak reached at the end of the first quarter. The average of all commodity groups other than farm and food products showed very little change. Small increases in some groups were offset by declines in others. In April the average of farm prices fell somewhat from its March peak, but then crept upward. The trend of food prices in general followed that of farm prices. Corn and other feed grains again began rising substantially during the closing weeks of June as a result of unfavorable weather during and immediately after the planting season. In April and May the averages of all major groups in the Consumers' Price Index—food; clothing; rent; fuel, electricity and ice; and house furnishings—showed little change. In June food prices advanced again.

The leveling off of prices reflected an easing of some of the inflationary factors in the second quarter. In some commodities, sellers' markets began to change to buyers' markets as backlog demands were worked off and shortages began to disappear. There was an increase in consumer resistance to high retail prices and general resistance to high construction costs. The substantial excess of Federal cash receipts over cash payments was also an anti-inflationary influence.

The course of prices in the second quarter likewise reflected the conscious intention of many sellers to hold prices below what the traffic would bear or to reduce prices promptly on the appearance or even the clear prospect of insufficient demand to absorb increasing supplies at prevailing prices. Many retailers and wholesalers reduced their margins, which in many cases had been greatly enlarged during the war. They and a number of their organizations endeavored to secure price reductions from manufacturers. It is clear, however, that much of the decline in wholesale prices after March came in those commodities whose prices react quickly to short-term changes in demand and supply relations. Dairy products, oils and fats, leather, and crude rubber are examples.

Voluntary price adjustments by manufacturers did not become widespread. The attempt of many retailers and wholesalers to respond to consumer resistance with substantial price reductions ran into manufacturers' resistance to lower prices at the other end. Some suppliers are, however, beginning to furnish larger quantities of goods in lower-price lines in clothing, furniture, and some appliances. Substantial reductions in prices require trimming of margins all along the line of production and distribution.

Although prices leveled off in the second quarter, the present price situation contains divergent elements, some of which were anticipated and others not. For some commodities there has been a decline in market demand. In many others demand remains high and in a number of cases, especially primary markets, there is a renewed upward pressure on prices. These elements present important problems of orderly adjustment which will be briefly reviewed.

At the time of the January Economic Report, certain extraordinary and temporary elements of demand were expected to recede substantially in the early months of the year. Therefore, prompt downward price adjustments were recommended to sustain the level of business activity, residential construction, and consumer purchasing power in general. This anticipated decline of extraordinary demand has already occurred in a number of commodities, particularly in the consumer-goods field. Examples are some items of women's apparel, and of men's furnishings, small radios, liquor, and rubber tires. Many more of these cases will appear, one after the other. Price adjustment in each case, as it emerges, can smooth the progress to a sound and vigorous peacetime economy. As backlogs of demand are worked off, as shortages are overcome by increased production and as demand is less supported by the use of liquid assets and credit, sellers' markets begin to fade. Such adjustments then become imperative. To avoid a price collapse and the demoralization of markets, it is necessary to make substantial price reductions before market forces take control. As competition reappears, sellers who overstay the market are likely both to suffer serious inventory losses and to create a worsening economic situation through curtailed production. If price adjustments are not promptly made there will be danger of a simultaneous collapse of a number of markets, which would have a cumulative influence toward general business recession.

It was also emphasized in the January report that in many other cases, even when there is no prospect of imminent decline in demand, price restraint will be of long-run advantage to the firms and of immediate benefit to the whole economy. This is true where profit margins are more than adequate to maintain the financial health of the enterprise, to provide reasonable returns to investors and management, and to obtain funds for needed expansion and modernization. Proper price adjustments in these situations will ordinarily benefit the firm by building good will and stimulating future market expansion. They will benefit the economy immediately by increasing the real purchasing power of current incomes, thus reducing the resort to use of savings and credit. Moreover, even where the market situation would permit higher prices to be obtained, it is frequently wise business strategy, as well as a general economic advantage, to forego that temporary gain.

There is ample evidence that many businessmen realize that

(Continued on page 24)

Railroad Securities

Many railroad analysts feel that failure of Congress to pass the Reed Reorganization Bill in the recent session means that in all likelihood such legislation has been permanently killed. The Reed Bill was designed to return a number of the major railroads now in bankruptcy to the old stockholders for formulation of a voluntary plan of readjustment. The legislation would have allowed these roads to utilize excess cash now in their treasuries for the purchase of their bonds in the open market. Also, it would sanction cuts in contract interest rates retroactively to the date of the original petition in bankruptcy.

It was these two specific features of the bill that had caused the most apprehension in the minds of analysts and investors. They were seen as carrying a serious threat to all credit, not only that of the railroads. It was viewed as extremely dangerous to establish a precedent which would allow a company to discontinue paying interest on its bonds and then use the money thus saved to buy in the bonds at the wide discount that the default would naturally bring about. There can be no argument with the contention that these roads now have large cash balances merely because they have been paying little, if any, interest for many years.

The provision for retroactive cuts in contract interest rates could hardly find any support in logic or in ethics. Proponents of this scheme point to the sharp decline in money rates in the years intervening since most of the bankruptcies were instituted. They also point to the ability of many solvent roads in recent years to refund their bonds at 3%, or less. What they do not stress is that any low coupon refunding that has been accomplished by the railroads has been based on individual credit standing. There are many roads that were able to weather the economic storms of the 1930s but which were unable to refund bonds carrying coupons as high as 5%. Certainly, then, it can hardly be argued that the reorganization roads could support low coupon refunding on their old capitalizations.

Aside from the controversy over the merits of the proposed legislation, there is another very good reason for anticipating that it may never be revived. The number of railroads to which it would be applicable is gradually shrinking. The St. Louis Southwestern has already been discharged from bankruptcy without reorganization. Incidentally, any other road in bankruptcy which is really solvent, as is claimed by supporters of the Reed Bill, could follow the same steps as those taken by Cotton Belt in curing all defaults on publicly held debt. Another road that would have been affected by the new legislation is the New Haven, and it is expected that this reorganization will be consummated well before the end of this year.

A large part of the support for the Reed Bill centered around the Chicago, Rock Island & Pacific. The Rock Island plan has already been confirmed by the court and this confirmation is being appealed to the Supreme Court. If the Supreme Court upholds the confirmation it is believed in most quarters that this plan should also be fully consummated before the Reed Bill could be passed in the next session of Congress. If the Supreme Court rejects the plan and sends it back to the Commission, the opponents of the plan will have accomplished their avowed aims without benefit of any new legislation. The Commission will have to reexamine the plan in the light of present finances, earnings of recent prosperous years, and improved physical condition of the plant.

The other major group affected by the Reed Bill is the Missouri Pacific and its subsidiaries. This plan has been approved by the courts and will be voted on by creditors this summer. It is generally believed that the plan will be rejected by substantial majorities of virtually all classes of creditors. If so, it is hardly likely that the plan would be confirmed. If the plan is not confirmed it will be remanded to the Commission for review and revision. Thus opponents of this plan will also, without benefit of the Reed Bill, have an opportunity for a new plan based on debt, financial, and property improvements of recent years.

Says SEC Handicaps New Mines Financing

Gordon Jones, Canadian mining promoter, tells Congressional committee restrictive measures make it next to impossible to finance new mining ventures.

Testifying before a Senate Public Lands Sub-Committee inquiring into U. S. natural resources, Gordon Jones, a Canadian, asserted that the restrictions of the Securities and Exchange Commission, together with the Blue Sky Laws of the states was making it next to impossible for anyone to finance new mines in the United States. "If you are to have new mines you must make mining attractive to the prospectors and also to the promoter—the key man who will risk money to set up a deal," Mr. Gordon stated, adding: "You are in a hopeless situation with your present setup, and unless you make radical changes there is no hope for new business or new mines in this country. In the event of war it would present a precarious situation."

With Lamson Bros. & Co.

Special to The Financial Chronicle

CHICAGO, ILL.—William Warren Rockwell has been added to the staff of Lamson Bros. & Co., 141 W. Jackson Boulevard, members of the New York and Chicago Stock Exchanges.

Haberkorn With Dempsey

Special to The Financial Chronicle

CHICAGO, ILL. — Joseph A. Haberkorn has joined the staff of Dempsey & Co., 135 South La Salle Street, members of the Chicago Stock Exchange.

With Brady & Co., St. Louis

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Frank J. Reedy has been added to the staff of J. W. Brady & Co., 411 North Seventh Street.

The Outlook for Railway Earning Power

By VINCENT C. SMITH
Analyst, Winslow Douglas & McEvoy

Analyst holds future volume of traffic is vulnerable and far more important determinant of stock prices than either wage or rate increases, latter being partially offset by tax incidence on net income. Estimates effects on each road.

Estimates of railway earning power under present traffic conditions reveal that net income is not likely to be engulfed by wage or price increases so long as moderate rate increases are granted. A drop of only 5 to 15% in the volume of traffic, however, would present many roads with serious problems.

Vincent C. Smith

Due to high Federal income taxes, the full impact of the coming wage increase will not fall on net income at this time. The roads are now earning at the rate of $850 millions annually before income taxes. After taxes of $300 millions, net income amounts to about $550 millions. A $500 million or 12½% wage increase would reduce earnings before income taxes to $350 millions which, after $100 millions taxes, would result in net income of $250 millions, the net being affected only to the extent of about 60% of the wage increase.

Conversely, an increase in rates will raise net income only by about 60% of the amount granted, due to the income taxes. A $600 million or 8½% rate increase, following the wage increase, would result in raising net after income taxes from $250 millions to $600 millions, about the level of earnings that now prevails.

The manner in which the wage rate increases can affect the per share earnings of the individual roads is computed in the following table. Estimates have been calculated on the following basis:

(1) The present annual rate of net income, allowing slightly less than the usual autumn rise in traffic because the roads are already operating close to capacity. Income taxes have been calculated at regular rates. Some adjustment has been made for the increased cost of materials.

(2) The annual rate of earnings on the basis of a 12½% wage increase being effective only during the last six months of the year. These figures should approximate the reported earnings for 1947 if such an increase is made effective as of this July 1.

(3) The annual rate of earnings after a full year's wage increase of 12½%, which is slightly less than half the reported demands.

(4) The annual rate of earnings after allowing for both wage and rate increases. The Eastern roads have been credited with a 10% rate increase, the Pocahontas carriers with 4%, and all others with 6% or roughly half of the pending requests for each district and about 8½% over-all.

It must be emphasized that these estimates are made on the basis of the boom conditions now prevailing. A recession of only minor significance would result in deficits for many roads because of the smaller percentage of gross now carried down to net.

Estimated Railway Earnings Based on Possible Wage and Rate Changes (in Dollars per Common Share)

Railroad—	Present Earning Rate	After Last-Half Wage Rise	After Full-Year Wage Rise	After Full-Year Wage & Rate Rise	Dividend	Price	Yield
Atchison Topeka & Santa Fe	15.00	12.50	10.00	16.50	6.00	90	6.6
Atlantic Coast Line	8.00	5.50	3.00	7.50	4.00	56	7.1
[1] Baltimore & Ohio	4.00	1.50	*1.50	6.50	--	14	--
[2] Chesapeak & Ohio	4.50	4.00	3.75	4.50	3.50	48	7.2
Chicago & North West	5.50	--	*4.00	5.50	1.00	21	4.7
Chicago Milwaukee St. Paul	2.75	.50	*1.00	3.00	--	10	--
[3] Chicago Rock Island & Pacific	7.75	5.75	4.00	8.25	w.i.	28	--
Delaware & Hudson	9.00	7.00	5.50	9.00	4.00	40	10.0
Delaware Lackawanna & West'n	1.50	.75	*.25	2.00	--	9	--
[1] Denver & Rio Grande	4.50	1.75	--	4.50	--	12	--
Erie Railroad	2.75	1.50	.50	3.00	1.00	11	9.0
[4] Great Northern Railway	6.50	5.50	4.75	6.00	3.00	46	6.5
[5] Gulf Mobile & Ohio	4.00	3.00	2.00	4.00	--	14	--
Illinois Central	12.00	9.00	6.50	11.50	--	27	--
[1 & 6] Kansas City Southern	12.50	11.00	9.50	13.00	--	24	--
Lehigh Valley RR.	.25	*1.25	*2.50	1.50	--	7	--
Louisville & Nashville	7.00	5.75	4.75	7.00	3.52	47	7.5
[7] Missouri Kansas Texas	3.25	2.00	1.00	4.50	--	20	--
New York Central	2.00	--	*2.00	3.75	--	16	--
[8] New York Chicago & St. Louis	24.50	20.00	16.50	29.00	9.50	108	arrears
[9] Norfolk & Western	5.00	4.50	4.25	5.00	3.25	60	5.4
[4] Northern Pacific	5.75	4.75	3.75	5.75	1.00	21	4.7
Pennsylvania RR.	1.50	--	*1.75	2.50	1.00	21	4.7
Reading Company	5.25	4.25	2.25	5.50	1.00	21	4.7
St. Louis San Francisco	1.75	--	*.50	2.00	--	9	--
[1] Seaboard Air Line	4.00	2.25	.25	4.25	--	17	--
Southern Pacific System	10.25	8.25	6.00	10.25	4.00	46	8.7
Southern Railway	9.75	6.50	4.75	10.00	3.00	40	7.5
Texas & Pacific Railway	6.50	4.00	2.50	7.00	4.00	49	8.1
Union Pacific RR.	19.00	17.00	14.50	20.00	6.00	143	4.2
Virginian Railway	3.75	3.25	3.00	4.00	2.50	40	6.2
Western Pacific RR.	7.00	5.00	4.00	7.50	3.00	33	9.0

*Deficit.

NOTES—[1] Net before large reserve fund obligations. [2] After merger with Pere Marquette. [3] After consummation of present reorganization plan. [4] Allowing $6.00 annual C. B. & Q. dividend. [5] After merger with Alton RR. [6] Including the Louisiana & Arkansas. [7] Per share on the preferred stock, arrears $106.75. [8] Per share on the preferred stock, arrears $84.00. [9] After 4-1 split-up to be effective about Sept. 3, 1947.

Victor Chemical Works Preferred on Market

F. Eberstadt & Co., Inc., on July 25, offered a new issue of 40,000 shares of Victor Chemical Works 3½% cumulative preferred shares, second series, at $100 per share and accrued dividends. Of the proceeds of this financing, estimated at $3,900,000, approximately $1,500,000 will be used to increase phosphorus producing facilities at Mt. Pleasant, Tenn. and, as presently estimated, approximately $2,000,000 will be used for the purchase of a plant site and the construction of a phosphorus processing and manufacturing plant at a strategic location. The balance will be added to working capital.

The company is now completing a substantial plant expansion program commenced in 1945. This includes the construction in Florida of a large election furnace plant for the production of elemental phosphorus. The cost of this plant will be approximately $3,850,000, for which the company already has ample cash resources. The new Florida plant is expected to be in operation by November of this year. Upon completion of the Florida plant and the expansion of the Mt. Pleasant plant, by Fall of 1948, the company's phosphorus production capacity will be increased by approximately 75% over the present rate of production. The company's processing and manufacturing plants, located at Chicago Heights, Ill. and West Nashville, Tenn., will be augmented by the construction of the new processing and manufacturing plant.

Victor Chemical Works, organized in 1902, is one of the leading manufacturers of phosphorus, high-grade phosphoric acid, and phosphates for food, pharmaceutical, technical and manufacturing purposes. The food industry is the largest single user of the company's products. Victor chemicals are also used extensively in the manufacture of synthetic detergents, soaps, industrial and household cleansers, plastics, fire and flame-proofing, water-proofing, oil refining, textiles, rust-proofing, metal treating, plating, insecticides and many other essential products.

E. W. Nash Dead

Edmund W. Nash, retired New York Stock broker, and a brother of Ogden Nash, the poet, died in Union Memorial Hospital, Baltimore, at the age of 51. Mr. Nash was formerly a partner in Pyne, Kendall & Hollister and Nash, Cloud & Isaacs of New York.

Free Speech in Union-Management Relations

By HIRAM S. HALL*
Director of Personnel Administration,
Bigelow-Sanford Carpet Company, Inc.

Personnel officer reviews history of "free speech" in labor relations and the interpretation of the Wagner Act's restrictions in the "American Tube Bending Case," decided in 1943. Holds restrictions of Taft-Hartley Act on union contributions in election campaigns still awaits interpretation, but right to peaceful picketing by unions on strike is not impaired. Holds employers have right to tell employees they can pass picket lines. Urges a policy of fair play in labor-management relations.

Our forefathers were completely aware of the necessity of maintaining the right of free speech. The first of the ten original amendments to the Constitution states:

"Congress shall make no law respecting an establishment of religion or abridging the freedom of speech or of the press or the right of the people peaceably to assemble and to petition the government for a redress of grievances."

The authors of the Taft-Hartley Act took cognizance of the right of every citizen to free speech as guaranteed in the First Amendment to the Constitution. It provides that employers are guaranteed the right to express their opinions to employees on unionization so long as their statements do not threaten reprisal, indicate the use of force, or make promises of benefit. Just prior to the enactment of this legislation, the old NLRB was following this concept in principle. However, now that it is embodied in the law, changes in Board personnel cannot result in changes in policy.

Statements, either written or oral, have been responsible for more Wagner Act violations than any other factor in the dealings which ensued between management and labor after passage of this legislation. Any employee or company official who has represented management in the eyes of the employees can lay the company open to charges of Wagner Act violations by saying something which the NLRB could have interpreted as interfering with the worker's right to join a union of his own choosing.

Conditions Before Wagner Act

In order to evaluate properly the actions of the NLRB in the early days of its existence, we must remember the conditions which existed prior to 1935. Employees in the years before the passage of the Act had been required to sign "yellow dog" contracts, and incipient unionizing efforts were subjected to employer spying and other activities in an attempt to prevent employee organization. Furthermore, the country was just emerging from the most severe depression in its history, and management was truly in the managerial doghouse. The men who were instrumental in formulating and administering this legislation believed that unions required the ultimate protection if they were to establish themselves as an integral part of our economy. It should be remembered, furthermore, that the labor relations policy of the government at that time was based upon the premise that collective bargaining would minimize strikes and stabilize employee relations throughout the country.

In my opinion, the zeal with which collective bargaining was pushed in those days led to a dangerous distortion of the free speech concept. We all remember that even the slightest indication of an employer's preference or opinion concerning the employee's right to organize was considered as an unfair labor practice. I have heard that on one occasion a supervisor wrinkled his nose when a union was mentioned. The union interpreted this as an antagonistic attitude toward organization on the part of this supervisor, and the company was accused of an unfair labor practice. In those days many managements instructed their supervisory personnel to make no comment whatsoever concerning employee organization or the theory of unionism when talking to their employees.

During the same period managements, both enlightened and unenlightened, were being subjected to all kinds of abusive statements on the part of labor leaders. This was considered legitimate organizing technique. Most of you are familiar with the type of handbill that was distributed to employees and the many mis-statements that were included in them.

Under these conditions, management was almost powerless to counteract the charges of the union and, as a consequence, employees often voted in representative elections in a state of great emotional upheaval.

The American Tube Bending Case

It was not until Oct. 18, 1943, that the employer had any legal assurance that he could make statements of fact concerning the advantages and disadvantages of unionism. On this date the Circuit Court upheld the right of an employer (in the now famous American Tube Bending case) to inform his employees of the facts concerning a coming NLRB election. The President of this company had sent a letter and delivered a speech to the employees, the essence of which was that the company professed itself willing to abide by the results of the election, did not conceal its preference for no union whatever, but made no intimation of reprisal against employees who thought otherwise, and argued that a union would be against the interests of employer and employees and that the continued prosperity of the employer depended upon maintaining the status quo. Previously, the NLRB had considered this action on the part of the employer an unfair labor practice and had issued an order accordingly on Sept. 18, 1942. The Supreme Court subsequently refused to review the decision of the Circuit Court.

At the time this decision was handed down, unions were practically free to make any statements they desired in order to influence employees in their choice of a collective bargaining agent. Consequently, the American Tube Bending decision was received with considerable acclaim by most employers. Subsequent decisions of the Board and the courts indicated, however, that an employer's statements would be evaluated in light of his labor relations history. If the relationship had been good and the employer had not been engaged in anti-union activities, he had considerable freedom in expressing himself. However, if the relationship had been bad, the limitation upon his right of expression was practically complete. In other words, the Board considered the entire labor relations picture when judging the employer's statements. This is the keynote to how to handle free speech under the Taft-Hartley Act.

Use of Money in Elections

There is another problem related to free speech which has resulted from the passage of the Taft-Hartley Act. Criminal penalties are attached to making contributions or spending money in connection with primaries or election of candidates for Federal offices on the part of unions. This may prevent unions from urging members to support or oppose political candidates. This phase of the Act has been discussed at great length in the press ever since the enactment of the legislation. Union leaders have expressed themselves publicly to the effect that this section of the Act is unconstitutional. A careful analysis of the Congressional Record indicates that the purpose of this section was to prevent unions from using the dues contributed by members for political purposes. It is not believed that unions will be restricted from making statements concerning political issues or from campaigning for candidates in their publications, provided that the funds used to finance the periodicals are obtained from subscriptions or from advertising. The exact interpretation of this section, however, must await further clarification by the Board and eventually by the courts.

Another aspect of free speech which I should like to discuss briefly at this time is the right of employees to picket.

It would seem that the first amendment to the Constitution guaranteed the right of the employees to peaceful picketing. Although picketing has been a traditional accompaniment of strikes, it has in some instances been resorted to by employee groups in the absence of a strike and sometimes when no dispute has existed between the company and its employees.

Peaceful picketing ordinarily means picketing by a limited number of people who make no effort to do more than to get their message across to employees, customers and the general public by means of placards. Mass picketing, on the other hand, is picketing by such large numbers of employees that access to the company's property is dangerous, difficult or impossible. Violent picketing refers to group action where force or threats of force are used to prevent access to the company's property or to interfere with the conduct of the company's business.

Supreme Court decisions have made it clear time and time again that peaceful picketing is protected by the constitutional right of free speech. State and local statutes intended to restrict or prohibit peaceful picketing have been held unconstitutional. Violent picketing, however, has been recognized by the Supreme Court as a matter which is subject to the control of the local municipalities and the States and their courts.

Employers Rights in Picketing

Although management does not have the right to interfere with strikers on a picket line, it can inform non-strikers that they have a right to go through the picket line if they desire to do so. For example, a minority union threw a picket line around a plant one morning before the employees arrived for work. They had not warned the company of the impending strike. When other employees arrived at work, the union officials tried to persuade them to join the picketing strikers. About that time the plant manager arrived who, upon sizing up the situation, told the workers they had the right to pass the picket line if they wanted to. As a matter of fact, he escorted one girl through the line himself. The NLRB in this case stated that the employer did not violate the Wagner Act since no attempt was made to interfere with the employees who were picketing. The plant manager had simply told the non-striking employees of their right.

Legally, the essential point here is that, so long as no action is taken that interferes with the strikers, non-strikers and customers may be given any necessary protection in passing through the strikers' picket line.

If picketing involves a labor dispute and if the goal of the pickets is lawful, the company has little chance, if any, to secure an injunction. Federal courts have been restricted by the Norris-LaGuardia Act in the issuance of injunctions related to labor disputes. Many State and local courts are similarly restricted by State laws.

Need of Fair Play

It is my belief that, in order to maintain and promote good industrial relations in any organization, the fundamental principle of fair play must be adhered to. Fair play cannot exist unless all of the facts pertaining to a given issue are available for analysis and study. We are all aware of the undesirable situations which were created when the employer's right to express himself was denied. It would be just as detrimental if the union were prohibited from making statements concerning the advisability of certain types of legislative action. In the long run, the majority of our people will arrive at a sound decision, provided we have a fair presentation of all the facts by all the interested parties. It is only by adopting this philosophy that a democratic way of life can be preserved.

*An address by Mr. Hall at the Seminar "Operating Under the Taft-Hartley Act," conducted by Commerce and Industry Association of New York, Inc., New York City, July 30, 1947.

Harris & Co. to Be Formed in New York

Harris & Co., members of the New York Stock Exchange, will be formed as of Aug. 15 with offices at 11 Wall Street, New York City. Partners of the firm will be Joseph J. Harris, Exchange member, general partner, and Genevieve A. Dunham and Ruth A. Dunham Johnson, limited partners. Mr. Harris formerly did business as an individual broker.

With Foster & Marshall

Special to THE FINANCIAL CHRONICLE

PORTLAND, OREG.—Luther Toothman, Jr. has been added to the staff of Foster & Marshall, U. S. National Bank Bldg.

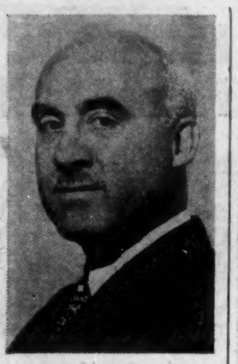
Employer Policy in Prosecuting Unions for Unfair Labor Practices

By CARROLL E. FRENCH*

Director of Industrial Relations, National Association of Manufacturers

Holding Taft-Hartley Act imposes careful appraisal of policy by employers in prosecuting unfair labor practices by unions, Mr. French counsels direct negotiation between employer and union, but points out it is employer's responsibility to file charges with National Labor Relations Board when the purpose is to protect basic rights of individual employees.

The proscription by law of unfair labor practices by unions as well as employers and the establishment of an enlarged and more powerful National Labor Relations Board raises questions of major significance for both employers and leaders of organized labor. The reaction of labor union officials has been prompt and extreme. Now that they can no longer count on a partisan Labor Board and a biased administration, they are announcing their determination to have nothing to do with the new Board and have rediscovered the virtues of settlement of their disputes with their employers by conference and mutual agreement.



Carroll E. French

The Executive Board of the United Steel Workers of America recently announced that "We shall, in good faith, seek to resolve all issues between our union and the employers through bona fide collective bargaining and other peaceful means, wherever possible." If this promise can be relied upon and this policy extends throughout organized labor, it will be one of the most heartening and encouraging developments in many years.

One of the troubles with our industrial relations and one of the major reasons for the passage of this new law was the breakdown of collective bargaining by reason of the persistence of organized labor in exploiting its legal exemptions and running to the Labor Relatiions Board under every conceivable pretext. If, instead of filing strike votes, unfair labor charges, and invoking the intervention of the Labor Board under every conceivable circumstance, organized labor had sought sincerely to make collective bargaining work, they might not now be saddled with the obligations and responsibilities of the new labor law. If one of the first results of the passage of this law is to turn labor unions back to the processes of collective bargaining, the promised benefits would alone justify passage of this Act.

Employers Have Never Favored Resort to Government Agencies or Court Action

In considering the question as to whether companies should affirmatively prosecute charges of unfair labor practices against unions, it should be borne in mind that the vast majority of American employers, in their relations with their employees, have never favored resort to government agencies or court action. They have preferred, wherever possible, to deal with their own employees and where collective bargaining has resulted as the free and voluntary choice of their work force, have endeavored to reach mutually satisfactory settlements by direct negotiation between themselves and the union representing their workers.

American industry has asserted repeatedly that laws alone will not bring about sound industrial relations and that too great a reliance upon government control and interference in labor relations is contrary to the best interests of both labor and management. At no time has there been greater agreement among industry that, where employees have chosen to be represented and to bargain collectively, it is not only the duty but it is good business for the employer to make every effort to make the collective bargaining arrangement work effectively.

Opponents of this new legislation have endeavored to convince organized labor and alarm the public by predictions that American industry will utilize this law as a union busting weapon. There is no evidence that such a thing is happening or that anything of the kind will occur. There is, on the contrary, every evidence that the great majority of American managements will approach this new legislation with moderation and restraint and with a determination to apply it constructively and in the interests of better labor-management relations and industrial peace. If this is true, I would expect a general reluctance on the part of employers to file wholesale charges of unfair labor practices or invoke the powers of the new Labor Board, except under extreme emergency or provocation. As Representative Hartley pointed out in a recent speech in New York, the law provides an enlarged and more powerful Labor Board and, where so disposed, both unions and employers can embroil themselves in endless litigation and conflict. Employers know that this is not the road to mutual confidence or successful labor-management relationships.

Employer Responsibility

While employers will generally be reluctant to invoke the sanctions of the new law, they have very definite responsibilities which may, under certain circumstances, impose upon them the definite obligation to file formal charges. Careful analysis of the unfair labor practices defined under the law for labor organizations reveals that, for the most part, they have been inserted for the purpose of protecting the basic rights of individual employees. The more the overall objectives of this law are studied, the more I am convinced it will become clear that, basically, it is a Bill of Rights for the individual workers and has been designed and passed in their interests.

Five out of the six unfair labor practices have, for their specific purpose, the protection of employees against coercive or arbitrary actions of the unions. They have been designed to assure him his rights to representation, to collective bargaining and to his job. Both the union and the employer are morally and legally obligated to see that these rights are neither denied nor abridged. Flagrant and persistent action on the part of the labor union in violation of the provisions safeguarding these rights would, without question, call for affirmative action by the employer in the interests of enforcement of the law. As a general rule, prompt and decisive action by the employer will be adequate to cope with situations of this sort. In the last analysis, however, the employer may be obligated to invoke the sanctions provided in the law. Failure to do so might not only jeopardize his labor relations but make him party to collusive attempts to defeat the purpose of the law.

Increased Importance of Management Responsibility for Plant Discipline

Employers will be greatly assisted in a policy of refraining from resort to the Labor Board, except as a last resort, if they are prepared to place greater reliance on soundly established and firmly administered shop discipline. The effectiveness with which plant discipline was administered has suffered severely both under the administration of the NLRB and the WLB. Prospects under the new law are much more favorable to sound and effectively administered discipline.

Most of the activities of labor unions involving coercion of fellow employees, restrictions of work and other activities in violation of contract, are carried on during working hours, on the premises of the company and under conditions well within the reach of management authority. Most of these practices could be reached far more effectively by the application of prompt, firm and fair disciplinary measures than by the filing of unfair labor practices against the union.

The new law establishes conditions encouraging the use of fair and effective discipline in such cases. The new NLRB has been stripped of its authority to order reinstatement or back pay of employees where the evidence clearly showed cause for suspension or discharge. The majority report of the House Labor Committee pointed out that the purpose of this provision was "to put an end to the belief now widely held and certainly justified by the Board's decisions, that engaging in union activities carries with it a license to loaf, wander about the plant, refuse to work, waste time, break rules and engage in incivilities and other disorders and misconduct." The Board may not "infer" an improper motive but must be guided by preponderance of evidence as to the cause of discipline or discharge.

Certainly taking every factor into consideration, there is every reason why employers, scanning their responsibilities and obligations under the new law, should approach the whole matter of filing unfair labor charges with extreme caution and restraint, being guided in their policy by the overall objective of bringing about and maintaining higher standards of cooperation and relations between themselves and their employees.

*A paper read by Mr. French at the Seminar on "Operating Under the Taft-Hartley Act," conducted by the Commerce and Industry Association of New York, Inc., New York City, July 30, 1947.

Two With Morfeld, Moss

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO.—Daniel Casper Boschert and Frank Bottini have become associated with Morfeld, Moss & Hartnett, 818 Olive Street. Mr. Boschert was previously with Friedman, Brokaw & Samish.

Treasury Amends Import Controls On Securities

Secretary of the Treasury Snyder announced the removal of the import controls on all securities except certain "scheduled securities" set forth in a list issued on July 25 by the Treasury Department as part of an amendment to General Ruling No. 5.

John W. Snyder

Under the amended controls, persons bringing American securities or foreign dollar bonds into the United States from abroad and persons to whom such securities are mailed or otherwise sent directly from a foreign country are required to ascertain whether the securities are included in the list of "scheduled securities" and, if so, to deposit them with the Federal Reserve Bank of New York. In addition, any individual who has actual knowledge that securities received by him in a domestic transaction, whether for himself or for any other person, are on the list of "scheduled securities" is also required to forward such securities to the Federal Reserve Bank of New York unless such securities are returned in accordance with the provisions of the general ruling to the person in the United States from whom received. If the securities are so returned, the last person in the United States to whom they are returned is required to deposit them with the Federal Reserve Bank.

It was also pointed out that persons who are offered or tendered "scheduled securities" and who refuse to accept them having actual knowledge that such securities are on the list are required to file a report with the Federal Reserve Bank of New York with respect thereto.

The provisions of the amended general ruling, it was emphasized, apply to "scheduled securities" coming to the United States from Great Britain, Canada, Newfoundland, Bermuda, and the Philippines, as well as from other foreign countries. Previously, securities coming from the named areas were, in general, exempted from the import controls. The change respecting the Philippines was made by amendment of General Ruling No. 18.

Coupons appertaining to "scheduled securities" are themselves considered "scheduled securities" under the amended general ruling.

General License No. 87 was also amended so as to lift the prohibition under Section 2A(2) of Executive Order No. 8389 upon the acquisition by persons in the United States of securities not physically in this country, other than "scheduled securities." Acquisition of the latter is still prohibited. The previous provisions of General License No. 87 which exempted certain securities from General Ruling No. 5 are now unnecessary because of today's amendment to that ruling, and accordingly, they were deleted.

Attention was also called to the provisions of Public Circular No. 35 also issued on July 25. In this connection, Treasury officials emphasized that the amendments of General Ruling No. 5 and of General License No. 87 in no way affect the status of blocked property located in the United States nor do they authorize any transfer of interest, directly or indirectly, in such blocked property.

Canadian Securities

By WILLIAM J. McKAY

Following the recent announcement by the British Treasury that a devaluation of the pound is not in prospect, the three "key currency" countries, the United States, the United Kingdom and Canada now appear to be acting in concert with the purpose of maintaining the existing parities of their respective currencies. Likewise with regard to the price of gold, parallel action has been taken to prohibit sales at prices above the official level.

Thus as constantly advocated by practical experts the stage is at last set for the "key currency" approach to the problem of the stabilization of the world's currencies. The effort to achieve this objective by the global method constituted by the Bretton Woods Plan was always foredoomed to failure and this method was tantamount to putting the cart before the horse.

The fundamental basis on which the bulk of world trade is conducted today is constituted by the U. S. dollar, the pound and the Canadian dollar. The primary object in a program of universal currency stabilization is to consolidate the relationship between these three currencies on a durable fixed basis. On that sound foundation the universal monetary edifice can then be erected. Nothing would be more damaging at the preseent time than to disturb the world wide recognized relationship between these key currencies. Therefore the claims of special interests, in particular the gold-mining industry, are of minor consideration when compared with the fortunes of world trade as a whole.

With so much at stake there is little question that the monetary authorities of the three countries will be successful in spite of all the current difficulties, in maintaining the existing parities as a first step in the battle for the rehabilitation of world commerce. This effort however must be consolidated by attacking the fundamental causes of economic unsettlement. In this connection the solution to the outstanding problem, the present world wide shortage of U. S. dollars can also be found by this same key country approach. Tariff adjustments between this country and the United Kingdom and Canada will play an important role and however seemingly insuperable the obstacles, this situation must be tackled in a resolute fashion with the realization that it is a key factor of a greater problem. Similarly, the revival of the Hyde Park Agreement with Canada would go a long way towards a better balanced flow of trade not only between this country and Canada but also between these two countries and Great Britain.

The accomplishment of these objectives would serve as an encouraging example to the whole world, and would demonstrate moreover that the present grievous economic ills can be remedied by orthodox free enterprise methods rather than resort to economic nationalism, with its resultant bureaucratic controls and restrictions which would end not only any hopes for the restoration of world trade but would also be the fore-runner of a further gold conflict.

During the week the securities market continued dull and inactive with turnover at a minimum. The externals were a trifle easier but the internals held relatively steady in sympathy with the firmer tendency of the Canadian dollar in the free market. Stocks were fairly active and firmer with papers and western oils in the lead. Golds on the other hand tended to ease following further dampening of hopes concerning government relief for the gold-mining industry.

Thomas A. Akin Dead

Thomas A. Akin, member of the Los Angeles Stock Exchange, and a partner in Akin-Lambert Co. of

Thomas A. Akin

Los Angeles, died on July 28 in Winnipeg at the age of 48. Mr. Akin was active in the affairs of the National Security Traders Association, having served as President of the organization in the past.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Allan C. Druesdedow has become affiliated with B. C. Christopher & Co., Grain Exchange Building.

Cleveland Hayter Opens

Special to THE FINANCIAL CHRONICLE

LONG BEACH, CALIF. — Cleveland Hayter has opened offices in the Farmers & Merchants Bank Building, to engage in a securities business.

Federal Reserve Analyzes Debt Retirement

In July issue of "Federal Reserve Bulletin" methods and results of Treasury refunding to date are reviewed, and conclusion is drawn new Federal Debt Retirement Program must be adopted to preserve taxpayers' interest in maintaining low interest rates; to provide Treasury with necessary funds; and to meet needs of various investment groups. Cautions debt retirement policy must be designed to prevent excessive credit expansion.

In a leading article in the July, 1947, issue of the Federal Reserve Bulletin, published by the Board of Governors of the Federal Reserve System, a detailed analysis of debt retirement by the Treasury is given, particularly as it affects bank credit, interest rates and Treasury financing policy. The full text of the article follows:

In the 16 months from February 1946 through June 1947, a sizable amount of the huge public debt incurred to finance the war was repaid, and the over-all volume of bank credit, which had expanded rapidly during the war, was reduced. The sharp contraction of the public debt, of bank assets, and of total bank deposits during 1946 resulted principally from Treasury use of large deposit balances accumulated in the Victory Loan Drive to retire maturing obligations. Most of these were held by banks. In the early months of 1947 a considerable portion of the funds used for debt retirement was obtained through current excess of receipts over expenditures. This surplus was particularly large for the first three months of the year because of exceptionally heavy tax collections, which are customarily concentrated in those months. For the fiscal year ending June 30, 1947, as a whole, there was a budgetary surplus of 0.8 billion dollars and total cash receipts of the Treasury exceeded cash expenditures by 7.4 billion.

In addition to accumulated balances and the current surplus, a small amount of funds for the retirement of marketable debt has been made available during recent months through net sales by the Treasury of non-marketable securities. Net redemptions of savings notes had exceeded the net increase in savings bonds outstanding during most of 1946, but in 1947 a further increase in savings bonds outstanding more than offset the continued decline in savings notes. Accumulations of special issues by Federal agencies and trust accounts have also made possible a reduction in the amount of marketable obligations held by banks and other investors.

Since a considerable part of the issues retired was held by the Federal Reserve System, withdrawal of funds from banks to redeem maturing debt exerted a drain on bank reserves. Reversal in the trend of Treasury finance thus resulted in restricting somewhat bank credit expansion and in checking the decline in long-term interest rates that developed in 1945 and early 1946. The restricting effect, however, was limited, because banks could meet the drain on reserves due to retirement of Federal Reserve held debt by selling securities which were in turn purchased for Federal Reserve account. During 1946 banks also sold additional securities to meet the increased demand for loans. The Federal Reserve System stood ready to absorb these securities in order to assure an orderly and stable market for Government securities. Because of their large holdings of such securities, banks were able in this way to obtain any additional reserves they needed.

Total bank deposits declined during 1946, because of the decrease in war loan deposits, but deposits of individuals and businesses continued to expand. This expansion resulted largely from a sharp increase in bank loans and the retirement of public debt held by nonbank investors. During the first half of 1947, in contrast, deposits of individuals and businesses showed no further growth; the effect of a continued increase in bank loans was offset by Treasury retirement of bank-held debt from an excess of current receipts over expenditures.

With war loan deposits almost completely exhausted by June 30, 1947, possible further retirement of marketable securities will depend on the extent to which Treasury receipts exceed expenditures and on further net sales of nonmarketable securities. Prospects for the new fiscal year just beginning are that there will be some funds available for debt retirement. Most of these funds, which in any event will be considerably less than retirements during the past 16 months, will not become available until the first quarter of the next calendar year. The amounts will depend on appropriations for expenditures, possible legislation as to tax rates, and the level of taxable incomes. In the meantime there will be a large volume of maturing debt to be refunded, and the nature of the refunding program will have a bearing upon and be influenced by both credit conditions and the course of interest rates. Changes in private demands for credit, however, may become more important factors than Government finance in shaping future credit developments.

With the end of the large-scale debt retirement, the resulting drain on bank reserves will also cease. Banks will again be in a better position to shift into other assets offering larger returns by selling short-term Government securities to the Federal Reserve System, thereby obtaining additional reserves. New measures of restraint may be required to check further bank credit expansion.

Termination of Federal Reserve Buying Rate on Treasury Bills

On July 2, the following announcement was issued:

"The Federal Open Market Committee of the Federal Reserve System has directed the Federal Reserve Banks to terminate the policy of buying all Treasury bills offered to them at a fixed rate of ⅜% per annum and to terminate the repurchase option privilege on Treasury bills. The new policy will apply to bills issued on or after July 10, 1947. Existing policy will continue to apply to bills issued prior to that date.

"The above action was taken by the Committee after consultation with the Secretary of the Treasury.

"The so-called posted rate on Treasury bills was a wartime measure adopted in 1942 to facilitate war financing and to stabilize the market for government securities. It was designed primarily to encourage banks to make fuller use of their excess reserves and thus bring about a wider distribution of Treasury bills. Under current peacetime conditions these arrangements no longer serve their original purpose and tend to distort conditions in the money market and the securities market. Certificates of indebtedness which bear a higher rate than Treasury bills have largely replaced bills in the market, not only as a medium for the investment of short-term funds but also as a means by which banks adjust their reserve positions.

"Increased amounts of Treasury bills have been sold to the Federal Reserve Banks by the market, and bills have gradually ceased to be a market instrument. Currently, only about 1.5 billion dollars of the nearly 16 billion total of Treasury bills outstanding are held outside the Federal Reserve Banks. The Treasury bill rate has thus been eliminated as a factor in the money market. The need for large-scale borrowing of new money by the Treasury ceased with the completion of the Victory Loan Drive and since that time the public debt has been reduced substantially. Consequently there is no reason for continuing this wartime mechanism. On the contrary, its elimination will serve a useful purpose in restoring the bill as a market instrument and giving added flexibility to the Treasury's debt management program.

"Under the new policy the Treasury bill rate will be expected to find its level in the market in proper relation to the yields on certificates of indebtedness. The Federal Reserve System will continue to purchase and hold Treasury bills as well as other government securities in amounts deemed necessary in the maintenance of an orderly government security market and the discharge of the System's responsibility with regard to the general credit situation of the country.

"As a result of the action taken by the Board of Governors of the Federal Reserve System in April to transfer to the Treasury the excess earnings of the Federal Reserve Banks, the Reserve Banks are now paying into the Treasury approximately 90% of their net earnings after dividends. Since most of the Treasury bills now outstanding are held by the Federal Reserve Banks, whatever increase in interest cost to the Treasury results from the termination of the posted buying rate and repurchase option will be largely offset by increased Reserve Bank payments to the Treasury."

Growth in public debt brought about in the course of financing the war came to an end in February 1946 when the gross debt stood at $279 billions. Since then it has been reduced by $21 billions to $258 billions on June 30, 1947. This change reflected a reduction in marketable debt of $31 billions, offset in part by an increase of about $8 billions in special issues to trust funds and in international obligations. An increase in savings bonds outstanding was about offset by a reduction in savings notes, but total non-marketable public issues increased by nearly $2 billions over the 16-month period, reflecting the issuance of armed forces leave bonds.

The debt retirement program in 1946, which reduced the marketable debt by $23 billions from the February peak, was financed almost entirely by drawing on balances accumulated in the Victory Loan Drive. Funds raised in the drive had been drawn in a considerable part from nonbank investors, although banks purchased outstanding issues during and after the drive. Not only did the Victory Loan bring in funds in excess of the announced goal but also the budget position became more favorable in the spring of 1946; thus the large amount of funds obtained in the drive was not needed for current expenditures and could be applied to payment of maturing debt. Considered in retrospect, the combined Victory Loan Drive and the subsequent retirement program was essentially a transfer in debt holdings. Long-term debt was first placed largely with nonbank investors and the funds were used

(Continued on page 28)

Dutch Reported to Get World Bank Loan

Will receive between $150 and $200 million for reconstruction materials and supplies. Denmark and Brazil follow with request for similar accommodations. Bank publishes balance sheet and profit and loss statement.

The Netherlands Government is soon to receive a loan from the International Bank for Reconstruction and Rehabilitiation to be shortly followed by a similar grant to Denmark. The Dutch are said to have applied for a total of $535,000,000 to finance purchases of raw materials, equipment and machinery. An estimated initial instalment is intended to take care of $150 millions Holland needs during the current fiscal year to carry out that nation's reconstruction program.

John J. McCloy

Another loan is expected for Denmark, which needs funds to modernize its industry and agriculture. The amount is reported as $50 millions. The Netherlands has already been granted three loans by the Export-Import Bank, totalling $300,000,000.

Brazil Also Applies

It was announced by John J. McCloy at a press conference on July 29 that the Government of Brazil has also made a "tentative request" for a loan of undetermined amount for use in power development. He added that two representatives of the Bank have already been sent to Brazil to discuss the proposition. There are still pending with the Bank the following loan applications: France, $250 million (additional); Czechoslovakia, $350 million; Poland, $600 million; Chile, $40 million; Iran, $250 million; Luxembourg, $20 million, and Mexico, $208 million. These are in addition to the requests of Holland and Denmark mentioned above.

Mr. McCloy made it plain that the Bank was desirous of correlating its actions with the Marshall Plan for aid to Europe and to otherwise help its implementation if the plan eventuates and is on a substantial scale.

Financial Statement Published

Simultaneous with Mr. McCloy's announcement of proposed and pending World Bank loans, he released a statement of the Bank's financial situation for the year ending June 30, 1947. The statement shows that of the $250,000,000 loan granted to Credit National of France which became effective June 9, $92,000,000 had been drawn down by the borrower as of June 30. Interest is due the Bank at the rate of 3¼% on this amount, or $108,719 for the period. The balance of the loan earns a commitment charge of 1½% per annum, or $175,849 for the period. In addition, an annual commission charge of 1%, which forms a special reserve to meet obligations of the Bank, is payable on the amount of the loan outstanding. This aggregated $33,452 as of June 30.

The Bank's excess of expenses over income for the year ended June 30 amounted to $938,647. This is attributable to the fact that loan income did not begin until June 9 when the French loan was ratified. Prior to that time the Bank's only income was derived from interest on its holdings of short term obligations of the U. S. Government. Asset items in the balance sheet at the end of June included $156,266,818 in U. S. Treasury Certificates of Indebtedness and accrued interest and $170,050,105 due from banks.

During the last three months of its fiscal year, the subscribed capital stock of the Bank was increased to $8,024,500,000 from $8,013,500,000 as a result of the subscriptions by Syria and Lebanon to 65 and 45 shares, respectively, of the Bank's $100,000 par value stock.

Olds Explains Steel Price Increase

Chairman of U. S. Steel Corp. Board says costs have risen more than price advance of $5 per ton. Points to decline of earnings in second quarter of this year.

Mr. Irving S. Olds, Chairman of the Board of Directors of United States Steel Corporation, on July 29, following notification of steel price advances, made the following statement:

"The steel-making subsidiaries of U. S. Steel Corporation will announce, within the next few days, changes in their delivered prices for certain steel products, effective Aug. 1, 1947. These changes, which will vary for different products, will result in an average price increase of approximately one-quarter of a cent per pound, or about $5 a ton. This represents a price increase of approximately 7% on the average.

Irving S. Olds

"The costs of U. S. Steel since present delivered prices were named by its subsidiaries around the beginning of this year have actually increased more than $5 a ton of finished steel, which is the average amount of this price increase. This figure does not include any amount to cover increased costs which will result from the recent coal labor settlement. Such additional costs to U. S. Steel are now estimated to amount to more than $30,000,000 a year, or a further cost increase of at least $1.50 a ton of finished steel.

"This increase in steel prices is made necessary by substantially higher employment costs; the mounting costs of raw materials—such as scrap, tin, lead, zinc, copper and palm oil, which are important ingredients in the manufacture of steel; the increased cost of goods and services which these subsidiaries must purchase in order to carry on their business; and the substantially greater cost of replacing worn-out facilities. As an illustration of recent higher costs, the price of scrap has advanced more than $10 a ton in the past two months.

"Steel continues to be the lowest priced basic commodity. Comparing the current "Iron Age" composite price of finished steel with the U. S. Bureau of Labor Statistics' index of wholesale commodity prices, steel prices would have to be increased, not 7%, but more than 50% to equal the average advance since 1940 in wholesale prices of all commodities.

"Last April new labor contracts were made by the steel-making subsidiaries with the United Steelworkers of America (CIO), which resulted in a general wage increase of 12½ cents an hour and other employee benefits. At that time, U. S. Steel estimated that the new labor agreement would result in an increase of $75,000,000 a year in its employment costs, excluding large increases which would undoubtedly follow in the prices of goods and services purchased by U. S. Steel. At the conclusion of these new labor agreements, U. S. Steel stated: 'We sincerely hope that with the existing high levels of operations these increased costs can be absorbed within the limits of the present prices of our steel products.'

"The wage and salary increases of last April have now been in effect for more than three months—a sufficient period of time to confirm the accuracy of our estimated increase in employment costs of $75,000,000 a year. This very substantial advance in U. S. Steel's employment costs and the other large increases in steel production costs which have taken place since last April, have caused these subsidiaries carefully to consider in recent weeks the adequacy or inadequacy of their steel prices, with the result above stated.

"Reflecting some of these higher costs since April 1, 1947, the earnings of United States Steel Corp. for the second quarter of 1947 (which include the profit from operations other than steel production) were 25.2% less than its earnings for the first quarter of this year."

Frank San Filippo at Gersten & Frankel

Gersten & Frankel, 150 Broadway, New York City, members New York Security Dealers Association, announce that Frank San Filippo is now in the firm's trading department, specializing in foreign bonds. He was formerly in the foreign securities department of Strauss Bros. Inc.

Holds Canada Benefits From Sterling Convertibility

Bank of Montreal points out restoration of sterling convertibility will furnish Canada with additional source of United States dollars.

In its July "Monthly Letter," the Bank of Montreal, Canada, discusses the effect of the steps taken to restore convertibility of sterling in respect to current account transactions as provided by the Anglo-U. S. Loan Agreement, and concludes that Canada will benefit from it, as it should ultimately make it possible for Canadian exporters to ship to any country for payment either in sterling or in U. S. dollars. According to the Bank's "Monthly Letter":

One of the conditions of the Anglo-U. S. Loan Agreement was that the United Kingdom restore convertibility of sterling in respect of current account transactions effected as from July 15, 1947. Steps taken in this regard raise the question of their implications from Canada's standpoint. Since Jan. 1, 1947, Canada has been a beneficiary of a series of arrangements made by the United Kingdom in advance of the July 15 date which had the effect of extending the privileges of convertibility of sterling to current transactions between a growing number of countries. Thus immediately prior to July 15, Canadian exporters could ship for payment in sterling or U. S. dollars to 29 countries and six more were added to this list on that date. A related result of these preliminary arrangements has been that since Jan. 1, sterling coming into the hands of the Canadian Foreign Exchange Control Board from current transactions has been convertible into U. S. dollars. The advent of general convertibility of sterling should ultimately mean that Canadian exporters will be able to ship to any country for payment in sterling or U. S. dollars. Necessary technical arrangements in this respect however have not yet been completed between the United Kingdom and 14 countries, and by agreement with the United States the time for such completion has been extended to Sept. 15. The final result, for Canada, should be that any impediment to Canadian trade that may formerly have risen solely because a foreign buyer was unable to make payment in U. S. funds as an alternative to sterling will be completely removed.

It must be kept in mind however that such future receipts of convertible sterling as are simply the counterpart of former direct acquisitions of U. S. dollars do not constitute any net addition to Canada's U. S. dollar holdings. Obviously also, exports of Canadian goods against the proceeds of Canadian loans to the United Kingdom and other countries do not provide this country with any foreign exchange. On the other hand it has been officially stated in London that the United Kingdom has for some time past been paying for a considerable proportion of her Canadian imports with convertible sterling rather than by drawing on the unexpended portion of her Canadian imports with receipts of convertible exchange are, for Canada, an additional source of U. S. dollars and conversely, represent a deduction from the United Kingdom's holdings of U. S. dollars.

From the United Kingdom's standpoint, restoration of convertibility involves an undertaking to supply dollars for conversion to the extent that other countries use their current sterling receipts to buy in dollar areas. This implies the possibility of additional strain on her already very difficult exchange position and may give added impetus to moves now under way in the United Kingdom further to restrict imports from other countries, including Canada. It has recently been made known that the United Kingdom will not entertain any more requests for additions to the list of manufactured products eligible for entry into that country on a token basis of 20% of prewar shipments, although one new list is to be published, based upon applications already received. The Canadian Minister of Trade and Commerce has stated that the possibility of further reductions in imports by the United Kingdom is receiving the earnest attention of officials of the Canadian Government departments concerned.

Stassen Sees Competition of Ideologies

In address at Des Moines he says clash between communism and economic and political freedom may not lead to actual war. Lauds superiority of American system under sound and practical economic policies.

Asserting, in an address before the 21st International Sunday School Convention at Des Moines, Iowa, on July 23, that there is now a clear-cut cleavage between Russia and her satellites and the Western Powers, Harold E. Stassen, ex-Governor of Minnesota, and a Republican Presidential aspirant, contended that the clash will not necessarily lead to war, since this nation, in spite of greatest shipments in history for foreign assistance, has demonstrated its superiority by accomplishing the greatest peacetime production.

Harold E. Stassen

"We are entering the decade which may well determine whether that tragic worldwide war with its staggering cost, so recently ended by the ceremony conducted by General MacArthur on the USS Missouri in Tokyo Bay, is to be half in vain," Mr. Stassen stated. "We are entering the decade which may well determine whether we can have a lasting peace or a third World War."

Continuing his remarks he said:

"The recent clear-cut division at the Paris Economic Conference arising from the Marshall Plan and Russia's refusal to cooperate, resulting in 16 of the nations of Europe meeting to plan their steps for reconstruction and to coordinate their needs of assistance from us, and nine of the nations of Europe including Russia declining invitations to join, makes it very clear that we are to be engaged in a continuing major competition and clash of economic systems and of ideologies. It is the greatest basic competition of all history. It is a competition between the ideology of materialism sponsored by the Communists, which denies the Fatherhood of God, depreciates the worth of the individual human being, and worships the things of the earth controlled by rulers of men, as opposed to an ideology based on the fundamental concepts of our religious beliefs, humbly recognizing the Fatherhood of God, emphasizing the worth and dignity of the individual human being, safeguarding individual freedom, and teaching service and compassion and mercy.

"It is a competition that does not inevitably lead to war. It need not unavoidably be decided by force. In fact, it cannot really be decided by war, even though it leads to war. For is it not clear that wars only decide a bid for power by force and never decide the basic ideas and philosophies of men. We hope and pray and endeavor that this basic competition may be decided in the minds and hearts of men with the grace of God, without resort to force. But if this peaceful victory for our way of life is to come to pass, the moral foundation of the peoples of this North American continent of ours is of prime importance.

"This spotlights the magnitude of the task in which the thousands of Sunday Schools and the millions of Sunday School workers are engaged. I trust that we catch that vision at the opening of this great conference. Not only is the bringing of religious understanding to an individual boy and girl of the greatest possible importance to him and to her, but also this task, multiplied as it is throughout the nation, is of prime importance to the future direction of our countries and the decision of the gravest basic questions and competition of all history.

"I have an abiding faith in the outcome of such a competition. In my recent travels through Europe and Russia I was again impressed with the manifold examples of the weaknesses of the materialistic philosophy. It is apparent that those who seek bread alone, not only lose the richness of a personal life that has in it strong measures of service and concepts of eternal values, but also fail to obtain even enough of bread. In other words, those who seek material advantage exclusively, not only narrow their lives, but fail to obtain even enough of bread. In other words, those who seek material advantage exclusively, not only narrow their lives, but fail to obtain the very material advantage for which they grasp.

"The moral foundation which is established will determine in the years ahead whether the great power that we develop in America carries with it a continuous concept of service, whether our remarkable strength carries with it the essential spirit of humility, whether the abundance that results from our great productivity carries with it the essential humanitarian friendliness and whether within and without our country our policies reflect the basic truths of the Brotherhood of Man and the Fatherhood of God.

"It is important, of course, that we be sound and practical in our economic policies, and that we look to our future sources of raw materials and of domestic strength. But it is not an accident that this very period of time when we have been making the greatest shipments of all history for the assistance of others beyond our borders, is also the time when we have reached under that challenge the greatest peacetime production of all history. There is eternal truth in the words "Blessed is the Giver."

Los Angeles Stk. Ex. Elects Two V.-Ps.

LOS ANGELES, CAL.—George C. Jenkins and Thomas P. Phelan have been elected Vice-Presidents of the Los Angeles Stock Exchange to serve as administrative assistants to W. G. Paul, the President, it was announced by B. P. Lester, Chairman of the Board of Governors.

Mr. Jenkins, formerly connected with the Securities & Exchange Commission, has been with the Exchange since January and administers supervision of its member firms. Mr. Phelan was associated with the Los Angeles Stock and Curb Exchanges from 1929 to 1940 when he resigned to enter the aircraft industry. He will assume charge of the Exchange's relations with corporations and the SEC incident to listings as well as assist in the administration of other functions including public relations.

Joins Heronymus Staff

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, WIS.—Mrs. Marion Groffman has joined the staff of Heronymus & Co., Security National Bank Building.

Prize Winners in Press Guessing Derby

A. Wilfred May and Barret Griffith, roll up best scores among 34 participants in "forecasting" contest.

Arthur Wiesenberger & Co., has announced the prize winners in an Economic Guessing Contest held on June 12, 1946 for the members of the Press who attended the luncheon that launched the 1946 Edition of "Investment Companies." The case of champagne will be split between A. Wilfred May of the "Commercial & Financial Chronicle," and Barrett Griffith, Colorado Springs investment counsel. Their guesses came closest to the actual figures for the following questions:

(1 & 2) The Dow-Jones Industrial Average High and Low between June 12, 1946 and June 1, 1947;

(3) The Federal Reserve Board Production Index (preliminary) for March, 1947;

(4) Farm Income, including benefit payments, for calendar year 1946; and

(5) The BLS Cost of Living Index for March, 1947.

Barrett Griffith was first with a score of 30 points out of a possible 50; and Wilfred May was second with 26 points, but his guess for the Dow-Jones High-Low for the year took top honors (215-150).

The average of the guesses for the 34 financial writers entered in the derby is an excellent selling point for investment trust shares. That their losses, had they based their investment actions on their guesses, would have been substantial is obvious. To point this up we include the following summary of the average guesses together with the actual statistics:

	(*)	(†)
Dow-Jones Industrial High	225	210.85
Dow-Jones Industrial Low	182	162.28
FRB Index of Produc. (Mar.)	201	189
Farm Income (Calendar 1946)	‡$23	‡$24.8
Cost of Living Index (Mar.)	145	156.3

*Arithmetic average of guesses. †Actual figures. ‡Billions.

All but five of the 34 guessers put down a figure ranging from 230 all the way up to 325—they were 20 points or more wrong on the Dow-Jones High. Twenty-three of the 34 were more than 20 points wrong (either on the upside or the downside) on the Dow-Jones Low. But as was to be expected during last June's still excessively optimistic period, most of the guesses erred widely on the optimistic side. The results give an interesting insight into the too-heavy weighting invariably given to emotional thinking by almost everybody—even the supposedly hard-boiled members of the financial press.

Britain to Revise Foreign Securities Control

Will no longer requisition foreign securities and will permit holders of U. S. securities to reinvest in other U. S. stocks and bonds. France lifts some restrictions.

It was reported on July 24 that Hugh Dalton, Chancellor of the Exchequer, will shortly announce to the House of Commons the effective date for a revised system for trading in foreign securities by British investors. According to the new plan, foreign securities will no longer be subject to requisition by the Government, but this will not limit wartime controls of foreign investments. A new phase of control, however, will be relaxation of regulations so as to permit British holders of American securities to sell them and reinvest the proceeds in other United States stocks and bonds. These re-purchases may not exceed the proceeds from sales or the money must be placed at the disposal of the fiscal authorities, against sterling. Those mostly affected by the new regulations are investment trusts and insurance companies. The new regulation is believed favorable to the Government because a switch into higher yielding American securities would help the foreign exchange position.

In France, also, the Government has relaxed or simplified its restrictions on foreign security holdings. French investors, who had been forbidden to liquidate and reinvest their holdings except in French Government bonds, will now be permitted to purchase other stocks and bonds. But the new purchases are restricted to securities issued by French companies. Such transfers of investments will no longer require the approval of the Foreign Exchange Office.

America's Responsibilities For World Leadership

(Continued from page 2)

confidence in our own system and that we believe in telling the truth—both good and bad—about ourselves and our fundamental institutions. We should not emphasize the failures of our system, such as race riots and murders, and we should remember that many things that we Americans take for granted are news to other peoples. We should seek to educate the peoples of the world about the high living standards of the average American citizen and the results which are attained because of individual enterprise under a competitive economy.

The Responsibilities of Our Leadership

Whether we realize it or not, America has assumed a position of world leadership. With leadership go responsibilities. It will be enlightened selfishness on our part of we recognize our present world responsibilities and if we assist those countries which are attempting to put their own houses in order and which will agree to use our goods and credits to develop maximum production and to function under their own type of democratic system.

The time will come when the United States of America will have to say no to any further encroachment by Russia. When that time arrives, and it may be shortly, faith and confidence will be restored to many countries bordering on Russia.

We must give intelligent support to the Marshall Plan. We must realize that recovery in Europe will be a slow process, but that England and the Western European countries will recover and that individual enterprise will win out over Communism and Socialism.

Joins Smith, Moore Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Robert M. Daley has become associated with Smith, Moore & Co., 509 Olive Street, members of the St. Louis Stock Exchange. Mr. Daley was previously with A. G. Edwards & Sons.

Rapid Nationalization of French Industry

(Continued from first page)

flict since the liberation: as owner of the nation's railroads and power works, and as consumer of their services.

Will the present crisis induce France's leaders to abandon economic "dirigism" and to steer a new course toward economic freedom? This is all but likely according to Mr. Andre Philip, French Socialist Minister of Economic Affairs, who, despite his numerous occupations of the hour, was kind enough to receive this correspondent and to answer his questions. Mr. Philip, a former Professor of Economics of Lyons University, is one of the principal instigators of France's state-controlled economy. Plans for taking over the country's key industries have been worked out by Mr. Philip and his collaborators.

Close Control Still Sought

"The present difficulties," Mr. Philip told this correspondent, "will by no means divert us from our goal of bringing the nation's economic riches under the control of the people. We do not intend to change our present course of controlling closely the country's economy. We certainly do not want to abandon the policy of nationalizing key industries and to return them to their private owners. Moreover, the policy of nationalization of industries is not involved in the present labor conflicts. Public ownership of industrial enterprises has no influence whatever on technical management and financial results. In the private sector of French economy, there are enterprises which show a profit at the end of the year and others which show a deficit. It is exactly the same with State-controlled industries. For many years, several important enterprises such as the tobacco monopoly, the public presses, the potash and nitrogen industries, have been run by public authorities and their economic and financial results have been excellent.

"Some of the industrial enterprises, nationalized after the war, show—it is true,—important deficits which have to be covered by the Treasury and eventually by the taxpayer. But we must not forget that this is a transitory period and that a reorganization of these industries is under way. Most of the recently nationalized services are supplying vitally important services to the French public at rates which are far below the general level of prices. French coal prices are kept considerably below those on the world market. The railroads have raised their tariffs to four times the prewar level but their charges have been multiplied by eight! The board of the power works wanted to increase rates by 30%. This has been refused by the Government and still their balance will show a profit of francs 2,000,000,000 this year.

"The present administrative statute of the nationalized enterprises is by no means perfect, it must be admitted. It is too bureaucratic and fails to take in account the special conditions, prevailing in different industries. New statutes for different types of industries are worked out by government services at this moment. In future, there will be different statutes for 'federated industries' like the electricity works or the coal mines, and for 'concentrated industries' like the Renault Automobile Works which are run by the State. We will, moreover, discriminate between those nationalized industries which hold a virtual monopoly in their field like the potash mines and those which have to compete with industries of the private sector. In competing enterprises, we will reserve a larger place for the initiative of the administrative board while limiting the power of the State-appointed Director General.

Present Caution

"Although defending the present achievements in the field of nationalization of key industries, the French Government at this moment has no intention to bring new industries, as for instance the iron and steel industry, under government control. One reason for our restraint is that the French economy needs a period of readaptation and that we must go slow on structural reforms. The other is that we do not want to nationalize deficits and that many leading French private enterprises are not realizing any profits at this hour."

Mr. Philip's optimism on the results of industrial nationalization is not shared by his numerous critics. Government control of industry has come under heavy fire from different sides recently.

French public opinion has been impressed with the report of a Belgian Senatorial Commission which toured French coal fields to study the influence of nationalization on coal production in France and possibly to recommend similar measures for Belgium.

Repercussions From Belgian Policy

The result of this investigation was that the Belgian experts rejected the project for State control over Belgian mines. In the opinion of the Belgian Senators, nationalization of the French coal pits has not been a success either from the technological or from the financial point of view. "The autonomous status of the French Coal Mining Company," the Commission said, "has not preserved its management from the dangers of 'etatization' and 'bureaucratization.' The coal mines are now a vast bureaucratic enterprise, a state trust and state monopoly. One of the particular shortcomings of nationalization is that the state becomes party and judge at the same time in social conflicts. French coal production has increased by 16% as compared to prewar time but the number of workers is more than 40% higher than before the war. The efficiency of the individual workers has considerably gone down." For Belgium, the report concludes, the lesson of the French experiment is to keep away from "nationalization" and state control but to set up a "regime of free professional organization" in the coal mines with professional committees in which "employers and workers are equally represented running the mines."

Financial Difficulties

French critics of Mr. Philip have put more stress on the financial predicament than on the technological difficulties of the nationalized enterprises. In the French National Assemblies, Mr. Henri Lespes, Deputy of the Catholic Popular Republican Movement, declared that government estimates of financial results in the nationalized industries are by far too optimistic. The deficit of the coal mines, this year, will amount to 13½ billion francs and the power industry will show eventually a loss of 15 to 18 billion francs in 1947. The fact that other state controlled enterprises are in no better condition is indicated by the French extraordinary budget which foresees state subventions amounting to 70 billion francs to be paid to nationalized industries.

French State interference with private industries did not begin with the end of World War II. It has been a long process which extended over several decades. It was in the between-wars period that the French State took over French nitrogen production and ran the potash mines in Alsace. At this moment, the French Treasury acquired large participations in the shipping industries, in film companies, in several banks, etc. In most cases, the French Government was forced to interfere to protect shareholders and creditors of these enterprises to incur heavy losses, due to the incapacity of private management.

Blum Started State Control

The period of systematic state control of key industries, however, began in 1936 when the first French left wing government of the "Popular Front," headed by Socialist Premier Leon Blum, came into power. This year, the French railroads, the aircraft factories, the armament plants, and several minor enterprises came under public ownership. The Bank of France, main source of French credit, was transformed into a state controlled institution.

The nationalizations of the postwar period are actually a continuation of this prewar policy with frequently the same "planners" in charge of carrying out the nationalization policy. Mr. Jules Moch, who today heads the French railway system, was Leon Blum's right hand man for industrial questions. Mr. Andre Philip, at this time, played already a leading role as Socialist "braintruster."

However, after the war, public ownership of key industries became the platform not only of the left wing parties, Socialists and Communists, but was also adopted by the big French center party, the Popular Republican Movement. Backed by the three major political groups in France, the movement for state control over the country's economic life has gained in momentum.

Worked out immediately after the liberation of the country, the laws nationalizing French key industries were voted by the National Assembly during the year 1946. The "Charbonnages de France," comprising virtually all French coal pits, were definitively constituted on May 17, 1946. The two national societies "Electricite de France" and "Gaz de France," comprising the French power plants, were set up in May-June of the same year.

At the same time, the French National Assembly began to tackle the French credit problem, bringing most of the country's financial institutions under water-tight state control. The Bank of France was definitely "liberated" from private influence. The country's four leading deposit banks, "Credit Lyonnais," "Societe Generale," "Comptoir National d Escompte," and "Banque Nationale pour le Commerce et l'Industrie" became state institutions. The Government also controls—by means of government commissaries—French "banques d'affaires" (business banks) which for their major operations need consent of the State Representative. The entire French credit system is supervised by the "Conseil National du Credit" which has 38 members, 14 of them government officials, the other representing the nation's economy, the trade unions and the financial institutions.

Insurance Companies Under Public Ownership

On April 25, 1946, French insurance companies came under public ownership, 34 private companies being nationalized and reorganized in 24 State insurance companies. The Government set up the "Caisse Centrale des Reassurances" which controls French reinsurance business.

The French State also owns the "Renault Automobile Works," confiscated from their "collaborationist" owner. It controls the French Press Agency and Radio Companies; it has a large share in the shipping industries and runs a number of chemical plants.

It is difficult to estimate the real importance of state ownership in the framework of French economy, but government experts and economists estimate that the state-controlled sector comprises one fifth to one third of the country's productive facilities. More important is probably the fact that the State sector embraces most of French key industries and the entire credit organization.

The trend toward state controlled or "directed" economy in France, with the nationalized industries as the most spectacular expression of this development is, of course, due to war and postwar conditions as well as to the strongly anti-capitalist mentality among large sections of the French people. The avowedly "Marxist" parties, Socialists and Communists, hold a majority in the French Parliament and the third big party, the MRP (Mouvement Republican Populaire), although at odds with the left wing on many problems, agrees with them on the nationalization issue.

It must not be overlooked, however, that many years before the war French capitalists already looked up to State intervention for helping them out in difficult situations. Many business leaders in France put their trust rather in State subventions, protective tariffs and artificially cheap credits than in their own business capacity and their enterprising activity. A long time before World War II, two leading business organizations "National Association of Economic Expansion" and "General Federation of French Production" insisted in their program that "the State should aid French industry and commerce at home and abroad because the prosperity of businessmen means prosperity for all. We favor protective tariffs, subventions, government aid in establishing export credit insurances and advantages for the exploitation of the French Colonial Empire."

Before plans for State intervention had been laid down by the enemies of free enterprise, the French Treasury spent already billions of taxpayers' money to prevent leading banks, shipping companies, film trusts, etc. from becoming bankrupt. If left wing parties in France went out to liquidate "big business," their task was greatly facilitated by the French businessmen themselves who appealed for help to the State instead of relying on their own acumen and ingeniosity.

Tyree P. Burke With Leonard J. Fertig & Co.

Special to THE FINANCIAL CHRONICLE

INDIANAPOLIS, IND.—Tyree P. Burke has become associated with Leonard J. Fertig & Co., Berry at Court Street, Fort Wayne, Ind., members of the Chicago Stock Exchange. Mr. Burke was formerly an officer of Slayton & Co., Inc., and in the past was with Paul H. Davis & Co., and conducted his own investment business in Indianapolis.

With G. E. Leslie & Co.

Special to THE FINANCIAL CHRONICLE

HALIFAX, N. S., CANADA—Edgar W. Mingo is with G. E. Leslie & Co., Bank of Nova Scotia Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government securities markets have a defensive tone, with the bank eligibles still making the best showing. . . . The restricted issues, under the influence of selling by the powers that be, continue to make new lows for the year. . . . Despite the downtrend in the ineligibles, substantial amounts of these obligations are being taken out of the market by non-bank investors. . . . The deposit banks also are adding to their positions, with the trend of purchases showing no change, that is from the shorts into the longs. . . The rise in short-term rates has so far had no effect upon movement of bank funds into the higher income longer-term obligations. . . .

ACCUMULATION

Reports indicate that dealers have been building up inventories in selected issues of the eligible obligations, as well as their holdings of the 2¼s due 1959/62. . . .

These positions, nevertheless, are quite small when compared with the ones they used to carry. . . .

The increase in activity in the Government market has been welcomed by the trading fraternity because there has been quite a number of dull listless sessions in the recent past. . . . The month of August as a whole, however, has not been a very productive one because it is the vacation period for many portfolio managers. . . . This year will again find many of them away from their desks during August. . . .

MARKET ACTION

The money market is adjusting its position to the new conditions, with investors switching and making other changes that will enable them to meet their particular needs. . . . Some institutions are moving from the longer certificates into Treasury bills because of the opinion that they will be in a better spot to take advantage of the expected higher yield for the one year maturities. . . .

The shorter certificates are in good demand. . . . Others are going into the 1952 maturities in fairly large volume out of near-term issues in order to improve income. . . . The opinion is held here that the adjustment (if any) that has to be made in these bonds will be very minor. . . . Ample buying power however, is being maintained by these institutions to take on more of the intermediate term issues in event of price weakness. . . .

The demand is still very good for the longest partially exempts, as new money along with the proceeds from the sale of shorter maturities are being put to work in these obligations. . . . The larger commercial banks are the main buyers of the partially exempt issues.

ACTIVE ISSUES

The 2¼s due 1956/59 as well as the 2½s due 9/15/67-72 are going out of the market with the demand coming from practically all sections, although reports indicate that the Southwest and the Pacific Coast institutions are the most important ones now in these obligations. . . . Buying is somewhat cautious with no desire on the part of investors to push prices up, although there is a strong demand in the market for these issues. . . .

There is some buying interest appearing now in the 2½s due 1956/58, after a rather sizeable movement out of these obligations into the partially exempt bonds. . . . It is reported that certain of the institutions that are buying the 1952 maturities are doing it with the idea in mind of having securities that can be eventually turned in for the restricted obligations that will be bank eligibles in that year. . . .

SEPTEMBER REFUNDING

The September refunding operation is taking on greater importance in the money markets, with all kinds of guesses as to what is likely to happen again making the rounds. . . . Opinions vary all the way from a 15 months 1⅛% note to a new issue of greatly restricted bonds that would be offered only to non-bank investors. . . .

There are some money market followers that are looking for a 1% obligation but as a whole the opinion seems to be that a higher rate will be offered by the Treasury in the September financing. . . . Talk about a three to four 1¼% note is being heard as well as a bond with a five year or slightly longer maturity, carrying a 1½% coupon. . . .

There seems to be no doubt that unless something attractive is offered to the banks, the largest holders of the September maturities, these institutions will do their own refunding, which means the purchase of the outstanding higher coupon, longer term securities. . . .

COMMERCIAL BANKS

The feeling seems to be growing among the commercial banks that since the Treasury is not likely to issue any longer-term obligations that they can purchase, and with apparently enough short-terms in their portfolios to meet indicated needs they are more inclined now to move into the longer-term issues. . . .

This is not a new trend, but it was believed that higher short-term rates would have a retarding influence upon the extention of maturities. . . . It is being pointed out that although some increase in loans is looked for these institutions still should have ample funds that must be kept at work to meet increased operating costs. The way in which this can be done is by moving out into the longer-term, higher income obligations. . . .

Likewise, the banks are beginning to give greater consideration to the scarcity factor in the eligible obligations, which is becoming more important with the passing of time. . . .

QUARTERLY CERTIFICATE OFFERINGS?

There is considerable talk in the financial district that the Treasury will gradually eliminate monthly maturities of certificates and put them on a quarterly basis. . . . Rumors still persist that the money managers will make an offering of long-term restricted bonds to savings banks and insurance companies during the September operations. . . . The restricted 2¼s due 1959/62 and the 2½s due 1962/67, and 1963/68, are still the most favored issues among the ineligible obligations. . . .

Insurance companies, savings banks and dealers added to their holdings of the longer World Bank bonds, which have a better tone after the weakness which was due largely to talk of a new issue (now denied) and to selling by 'free riders" prior to the payment date. . . . Some of the latter out-of-town insurance companies are reported to have good sized buyers of the longest restricted 2½s.

Consolidation—One Answer to Municipal Ills

(Continued from page 7)

The current schedule of operations and personnel of this community with a payroll of several millions bears scant resemblance to the diagram of operations prepared for the year in which the United States entered the first World War. The average industrial unit operating with the mental and physical equipment suitable to 1917 would go broke today. That more cities do not go broke is pretty much due to broad and increasing taxing powers and the fact that population growth and industrial progress has been on a sufficient wide front to sustain the increased tax load.

A few weeks ago the problem of greater efficiency in governmental units was tackled from another angle in Washington, D. C.

Senator Henry Cabot Lodge, Jr., of Massachusetts and Representative Clarence Brown of Ohio, introduced a bill aimed at correcting in the executive branch of the government the same basic faults of duplication and overlapping agencies that prevent many individual communities from operating to the best advantage.

Senator Lodge pointed out that "there are actually 150 members of boards and commissions, 15 heads of departments and major agencies, 5 people in the executive office of the President, 7 people in the White House staff proper, 11 persons in those emergency agencies which are still functioning, and 3 persons pertaining to the Joint Chiefs of Staff, who all have direct access to the President of the United States."

The bill seeks to "consolidate" functions of all departments and to promote better and less expensive service for conducting the business of this country's government for the many millions who are obliged to have transactions with it in one way or another.

The bill not only would consolidate various functions but it would also define and limit executive prerogatives believed to be inherent or implied in certain functions and activities. This proposed legislation strikes at a defect in national government administrative habits that is equally vulnerable to conscientious and well considered attack in local government administration.

An analysis of the Lodge-Brown legislation indicates that correction of these administrative faults could be accomplished by appointing a commission of twelve members. The President would appoint four members, the President of the Senate would appoint four and the Speaker of the House would appoint four. Two appointees of each appointing authority would be chosen from private life and the other two of each appointing authority from the executive staff, the Senate and the House respectively, making the twelve in all.

This urgent question has not been thrust suddenly into either the national or local administrative set-up. The need for correction in most cases has grown up gradually and stems principally from the aversion of those in political power to cut off voluntarily any sources of patronage. Hence, the fixed dislike in many quarters for altering existing formulae —unless it expands the current geometric design and creates a degree of political capital.

Warning signals are flying all around that greater value must be had for the dollars that governmental units, large and small, now spend for their services. Solvency is not to be despised even in this ribald age which is prone to look upon the more shy and sober virtues as objects of curiosity with amused tolerance but without any burst of robust enthusiasm. It is to be sincerely hoped that a cataclysm will not be necessary to change this airy attitude.

Progressive Reform Proposed

Sound city government can be helped along by facing all the facts and coming to grips with whatever errors seem most likely to yield to sensible treatment. Obviously the process is a continuing one. It is many-sided and must be approached with an unbiased mind, if possible. Correction of obstacles in the path of over-all good government one at a time, rather than an attempted attack on too broad a front all at once, will be more apt to produce practical as well as more lasting and profitable results.

Mere physical consolidation or annexation is useless and likely to create enlarged troubles unless such piercing together has followed along a line of condensed and logical thought. Gathering together a group of weak and poorly managed communities will not by any means guarantee that the sum total will be strong even though it may be big.

Intercommunity consolidation to achieve the greatest benefit must follow a plan of discarding processes that have lived beyond their time in individual towns. Whether this can be done directly is a question. There are ways in which the process is proceeding indirectly which, while more round about, will in the end produce good results.

Port of New York Authority

The Port of New York Authority may be cited as an example of how an individual municipal problem may be solved by accurate diagnosis of the trouble followed by mutual agreement as to the means of solution. In this case action of the state legislature of both New York and New Jersey was necessary.

In 1931 concurrent legislation setting up the unified control of the Port Authority over various arteries of traffic declared that "vehicular traffic moving across the interstate waters of New York and New Jersey constitutes a general movement of traffic which follows the most accessible and practicable routes and that the users of each bridge or tunnel over or under these waters benefit by the existence of every other bridge or tunnel since all of the bridges and tunnels facilitate the movement of such traffic and relieve congestion. For this reason the two states agreed that the construction and operation of all bridges and tunnels . . . shall be unified under the Port of New York Authority so that the cost of construction, maintenance and operation . . . as a group . . . be self-sustaining. . . ."

The significant words "unified . . . so that costs . . . be self-sustaining" have a broad application to the difficulties of many city troubles. They apply with equal force to helping unravel the tangles of through highways in metropolitan areas anywhere; alse sewerage, health and welfare, recreation, airports, law-enforcement agencies and general planning.

Louisville has approached finding an answer to its current and future sewer needs on the same track—namely, to make the new and improved facilities self-supporting.

State legislation provided for the creation of the Louisville and Jefferson County Metropolitan Sewer District by a law giving the city the right to form such a district. The law provides for setting up an organization which is empowered to construct a sewer system for the metropolitan area and set up a continuing source of revenue to finance and maintain such a system.

These two agencies just discussed, working for the same ends on different city problems, have two simple elements in common: (1) to correct an unwholesome situation; and (2) to do it on a basis that will pay its own way.

It does not follow that a separate agency must be created to settle each individual trouble but these agencies do show what consistent unity of thought can do for an aggravated condition within a community.

The "Authority" or "Development Area"

Too many such agencies would only set up a group of more or less independent municipal principalities that might be tempted to jockey for high spots in public favor and in the end the jumble would be worse than before. However, the "authority" or "development area" can be greatly expanded in many places before the idea becomes top-heavy with too much use.

Mr. Kenneth P. Vinsel, Executive Director of the Louisville Area Development Association, in an address given recently in Milwaukee before the Citizens Conference on Planning, spoke of the need for state legislatures to recognize and correct troubles before they become acute, especially where the larger cities and metropolitan areas are concerned. He also said that "annexation should be used whenever possible." Furthermore, "it (annexation) may not be an immediately profitable procedure when the costs of improvements and services are compared with tax returns, but annexation will pay dividends in other ways. . . ." Mr. Vinsel points out that a very important gain in this connection would be to bring within the corporate limits a valuable group of substantial citizens who can contribute constructively to the public life of the community, but who have sought better living conditions in suburban areas beyond the limits of the city where they work.

One of the first steps to be taken to bring about successful unity and consolidation in municipal government and management is to prepare local representatives by providing them with overall facts relating to their community problems well before state legislatures convene. Only in this way can the legislator advance or defend the measure he is sponsoring in the face of the opposition which his colleagues are almost certain to throw at any bill, regardless of merit. Local governing and planning bodies have frequently been at fault in this respect, not the legislator, most of the latter being eager to have their names attached to legislation which will help their communities. It behooves the management of individual cities to get their ideas in shape and provide their local legislators with pertinent information so that when the final gavel pounds on the session, a forward-looking, constructive program for their community may be on the statute books.

As We See It

(Continued from first page)

the authorities taken these forecasts too seriously and laid out extended plans of the typical New Deal type to prevent the expected depression.

Interesting Findings

In light of all this and of much more which might be cited, the findings of the President's Council of Economic Advisers—that official body whose function it is to provide the President with the facts and advice required for maintaining full employment, etc.—are highly interesting, not to say somewhat amusing. This super-board finds that we are today producing goods and services at the rate of about $225 billion a year. Never before in our peacetime history prior to 1946 have we ever attained even half that level. In 1929 the figure was only $104 billion. In 1939 it was only $90 billion, and the following year with the influence of defense and war work, we reached only about $100 billion. The banner year, 1941, recorded only $125 billion, and the war peak in 1945 was only $213 billion.

Of course, this over-all figure of the Washington statisticians may easily be misunderstood by the uninitiated. It makes no allowance for capital goods consumed in the production of current output. Our current rate of net economic gain is definitely lower than these figures suggest, but comparisons of net figures give about the same appraisal of current rates. Take what is known as disposable personal income, for example, or what the individual has of current earnings after he has paid his taxes. This figure is currently running at about the annual rate of $170 billion, according to the President's experts. In 1929 it was $82 billion; in 1939, $70 billion; in 1940, $76 billion; and in 1941, $92 billion. In the peak war year, 1945, it reached $151 billion.

And such figures as these and many more which might accompany them, ultimately emanate in many instances from the very economists and statisticians who a few short months ago were predicting a situation far different by this time of the year. There must be a good many red faces in Washington these days!

Economists Still Worried

But the economists are still worried. They see so many "temporary props" supporting business. Business, they find, is spending large amounts in capital construction and equipment to put itself into a position to produce effectively and efficiently in the future. Of course, it could hardly be otherwise in the circumstances—in the absence of a government-created situation in which business enterprise had no faith at all in the future. Consumers, say these pundits, are spending all but 6.8% of their disposable income. Is this particularly unusual? If we omit the war years, the only unusual aspect of it appears to be that individuals are still somewhat careful how they spend their current income. And, anyway, were not most of the war savings bonds sold on the advice of the Government that funds be set aside during times of war scarcity in order that they might be on hand to satisfy postwar demand and, by supplementing current income, to support postwar industry and trade? If official figures are to be taken at face value, it would appear that total expenditures for all types of consumers' goods, both from current earnings and from accumulated savings, are less in relation to current earnings than was customary in past peace years.

Another worry that official Washington has developed concerns the enormous volume of exports. Under any ordinary circumstances this demand, they think, must presently taper off. Probably it will. How soon it will do so depends without doubt upon a number of aspects of our public policy. Evidently, however, the President does not regard this demand as sufficiently temporary to insure us against further increases in current prices. At the same time, however, the President can only suggest temperance on the part of those who are now being required to pay higher wages for less work than ever before!

A Bad Impression

All this certainly does not give an impression of a national government well informed, with a thorough understanding of current economic forces, and in full command of the elements which compose the economic system. But, of course, all this is but added evidence of the weakness of the notion that government ought even to consider undertaking to "stabilize" employment at "high levels," trying to guide business away from familiar pitfalls, or in any other way supplanting natural economic forces in the direction of the economy. Much more testimony to the same general effect was provided in the course of the past twelve months. We have now had it amply demonstrated that the national government can not hold labor in check when conditions are such that union leaders feel it possible to get higher wages and other concessions from industry. The experience with the OPA during the months after the end of hostilities, and with the various other control undertakings during that period (to say nothing of war experience), made it clear beyond any peradventure of a doubt that government in this country at all events simply can not "hold the price line" and at the same time keep production going. Indeed, it failed to do either.

Sum all this up, and we have a complete refutation of all arguments in favor of the system known as "planned economy." Government has amply demonstrated: (1) that it does not understand the forces at work in the economic world, and is without the power to foresee what is most likely to take place in the early future, and (2) that it is not able to control the various elements in the economy, and could not even if it knew what ought to be done. Of course, there really should be no need to learn such things from experience. The system is impossible—and what we can rightly condemn the politicians and others for is their refusal to abandon the whole idea forthwith.

No Peace Without Freedom of Press: McNeil

British delegate to UN Economic and Social Council questions whether nations rejecting free access to news in each others' countries can belong to United Nations.

In a debate on freedom of information and the press at a meeting of the United Nations Economic and Social Council, Hector McNeil, British Delegate, questioned whether under its Charter, the United Nations could accept or retain among its members any nation which did not permit the free exchange of information, and he held that it was exceedingly doubtful if we can sustain any hopes of international cooperation or of peace unless this free movement of information is permitted.

Hector McNeil

"The United Kingdom Government feels vitally interested in this and pledges itself to do anything it can do to secure the right of representatives of each Member State of the United Nations to collect news in the territory of other Members of the United Nations without interference or discrimination," Mr. McNeil asserted. "Indeed," Mr. McNeil continued, "when it comes to an examination of who should or should not be entitled to be part of our world organization, that is, perhaps, as important a test as any, and when we discover a nation not permitting these facilities, then we must ask ourselves most carefully if, under the terms of our Charter, they have any right to claim Membership in the United Nations.

"Further, we shall be concerned to ensure an opportunity for representatives of each Member State to transmit information to other Members of the United Nations in the confident hope that it will be received without hindrance by the peoples of those other Nations.

"As our French colleague inferred this morning in his pointed and moving speech, it is exceedingly doubtful if we can sustain any hopes of international collaboration or of peace unless this free movement of news is permitted. News is a most perishable commodity. It is not enough to demonstrate that there is a legal toleration of the collection and transmission of news; if there is a political or administrative hindrance to that collection and transmission than the news itself perishes.

"I have one comment I should like to make on a point of detail which has not been referred to in the excellent and extensive discussion we have had this morning. My comment deals with the item on the agenda dealing with commercial matters, particularly Chapter II, item 4 (b) and item 5 (b) (ii) and (iii).

"My colleagues will have studied these points, and while I should like to make it clear that we are prepared to have these items included in the agenda, nevertheless we fell strongly—and I think many will agree with us—that these commercial matters raise issues which are already under discussion by various international agencies, and, therefore, cannot appropriately be decided by the proposed conference alone. In that sense, I should like, on behalf of my Government, to make a reservation upon this point."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Sterling S. Beardsley, member of the Stock Exchange, will retire from Bond, McEnany & Co. on July 31, on which date the firm will cease to be an exchange member.

Interest of the late Charles D. Draper in H. N. Whitney, Goadby & Co. ceased as of April 3.

Interest of the late Richard B. Wilson in Robert Winthrop & Co. ceased as of May 20.

With Slayton & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Elizabeth Brierre has joined the staff of Slayton & Company, Inc., 3277 Wilshire Boulevard.

President's Review of 1947 Economic Adjustments

(Continued from page 13)

charging less than the traffic will bear is good business policy and is in the public interest. Many firms are rationing their output among customers which shows that they could obtain higher prices. The so-called "gray market" prices are an indication that regular suppliers are charging less than the demand would permit. Moreover, a number of individual firms and representatives of business organizations have recognized that their own long-run interests and the welfare of the country are best served by reduction of profit margins. Many others are in a position to follow this policy.

The need for restraint in pricing practice which was stated in the January Economic Report is even more important today than it was at that time. Its relevance is underscored by the recent revival of fears of inflation. Such fears threaten the process of orderly price adjustment. The change in psychology has been unduly stimulated by such events as the corn crop scare and an exaggerated interpretation of the effects of the coal mine wage adjustment. Ill-informed ideas about the new foreign-aid proposals have also been an element in the revived talk of inflation and in a relaxation of resistance to high prices.

Such developments accentuate the need not only for restraint in price policies, but also for continued caution in the purchase of materials where many prices are quickly affected by changes in the psychology of buyers and sellers. To expand commitments at high or rising prices will only increase the dangers of creating future disorderly movements in prices. Speculative increases at this time would insure a much sharper fall in prices later, with all the losses which that would bring. Consequently, it is urgent for sellers to refrain as far as possible from price advances and for buyers to resist price increases by their suppliers.

Some persons have scoffed at the idea that businessmen could or would follow a stabilizing course. Yet the reaction among progressive business leaders in the first half of the year was such as to mark new possibilities of orderly price corrections in a free economy through the voluntary action of individual firms. Responsive to the government's repeated emphasis upon the gravity of the situation, they have widely acknowledged the need of price reductions or the foregoing of price increases. The obligation of each businessman to give this matter his serious attention has been presented in numerous business journals and meetings of business associations.

While the course of prices did not clearly turn downward in the second quarter, there can be little doubt that the Nation-wide focus of attention on this matter acted as an important anti-inflationary force. The leveling off of industrial prices came at the vary time when considerable wage advances were granted to large numbers of workers. Thus, in the second quarter of 1947, some progress was made toward averting the prospective disparity between prices and mass incomes which was discussed in the Economic Report in January. Any sharp increase in prices in the coming months would wipe out that progress.

The guiding principles for price making outlined above apply in all fields of business activity—production, trade, and services—where a firm has any range of discretion in setting its prices. As pointed out earlier, far-seeing pricing at the materials and manufacturing levels is the outstanding need at the present time, in order to facilitate workable adjustments of price to income and demand all along the line. Wholesalers and retailers must recognize, of course, that their part in the process involves trimming of exceptional margins as well as promptly reflecting in their own prices any reductions made by their suppliers.

It is recognized that cost increases have limited the ability of a number of firms to make price reductions. Nevertheless, the general principle holds that prices, to support a prosperous economy, must be kept down to the lowest point compatible with costs and reasonable business incentives.

Beyond what the individual business executive does toward price adjustment as a matter of economic policy, the government must do everything possible to promote vigorous conditions of market competition. A free-enterprise system cannot tolerate collusion in price, in curtailment of output, or in restriction of capacity expansion, or the hampering of the entry of new firms into the business life of the community. The anti-trust laws must be applied energetically wherever freedom to compete is restrained or impeded.

Recommendation of voluntary price reduction and of foregoing possible increases has been addressed primarily to businessmen who follow a conscious price policy, and not generally to farmers. There are sound and fair reasons for this. Most individual farmers, like many small business firms, do not have it within their power in the same way as large industrial producers to determine the prices for their products. Farming in America is not organized that way. Nevertheless, it is incumbent on farmers to follow sound pricing principles in their collective-bargaining activities through cooperative associations and in their efforts to maintain legislative support of farm prices. Small business has the same responsibilities to work toward desirable price adjustments.

Though it is true that farm prices have advanced even more than industrial prices in many cases, we now, after termination of price control, have only limited powers to deal with them except through increased production and through shifts in, or control of, demand. The special problem of agricultural prices in the second half of this year will be dealt with in later sections on the agricultural problems and foreign economic policy.

Likewise, the cost of construction—residential, industrial, and commercial—is of outstanding importance. Unless this cost is brought down and kept strictly in line with the financial position of buyers, we shall not have a satisfactory increase in the volume of private construction and we may suffer a decline. This is a crucial factor in the present situation, and it will be discussed separately later in this report.

The Process of Wage Adjustment

In January the Economic Report recommended moderate wage increases at points where rates had lagged behind the cost of living or were substandard. The Report laid stress also on the desirability of raising the minimum wage rate and coverage and increasing rates of unemployment and old-age benefits under social-security laws. Wage increases where increased productivity would permit without interfering with desirable price adjustments and high production levels were recognized as justifiable. But the Report warned against an inflationary wage-price spiral.

Since that time, peaceful collective bargaining has yielded widespread wage increases in many industries, such as textiles, rubber, steel, automobiles, electric equipment, local transit, department stores, and construction. These settlements have tended also to move wages up in other firms and industries. Most of these wage increases have been absorbed without price increases, and in a few cases have been accompanied by price reductions—a result that would have been unlikely had there not been concentrated national attention to the price problem.

In some previous inflationary periods, the effort of workers to protect their family budgets and the efforts of business managers to protect the financial position of their companies led to strikes which crippled production, added to the inflationary condition of inadequate supply, and subjected workers and their families to desperate hardships and the stockholders of the employing corporation to heavy financial losses. The important and long-drawn-out strikes in 1946 were ample warning that the situation in labor-management relations was highly explosive.

It was fortunate that when the time came for the determination of wage rates early this year, both employers and workers were disposed not to take such extreme positions as to lead to deadlock. The cost of living had risen sharply with the end of OPA, and employers acknowledged the justice of a demand for an increase in wages and did not confront workers with the alternatives of accepting an inadequate wage increase or a strike with its accompanying hardships. The workers on their part, recognized the danger of inflation and kept their demands within such a practical trading range that a quick settlement was agreed upon in each of the early contract discussions in the major industries.

While these wage increases have added substantially to the buying power of these groups of workers, they have tended to advance wages in the upper brackets of the wage structure without raising the compensation of lower paid wage earners, whose relatively greater need was recognized in the first Economic Report. These increases will undoubtedly raise the question of increases in other firms or industries in order to attain workable relations in the wage and salary structure. Such wage questions should be settled through the processes of collective bargaining or, where workers are not organized, through voluntary adjustments by employers, after carefully weighing the specific problems peculiar to the particular circumstances.

There are some groups of workers who are suffering hardship because their wages are substandard or have risen far less than the increase in the cost of living. The inequities involved in these cases ought to be eliminated by granting wage increases.

Businesses should absorb these wage increases without increasing prices wherever possible. They should, in fact, reduce prices in any case where profits would still be unnecessarily large after the wage increase. It should be recognized, however, that in some cases such wage increases will require price increases or prevent price reductions.

Aside from these types of wage increases, the national welfare requires that labor shall not insist upon wage increases that would necessitate price increases or forestall desirable price reductions. Sound principles of wage settlement require that recognition be given to the peculiar conditions of given firms, industries, or occupations and to the current situation. Over the long run, trends in real wages should be based on general productivity trends.

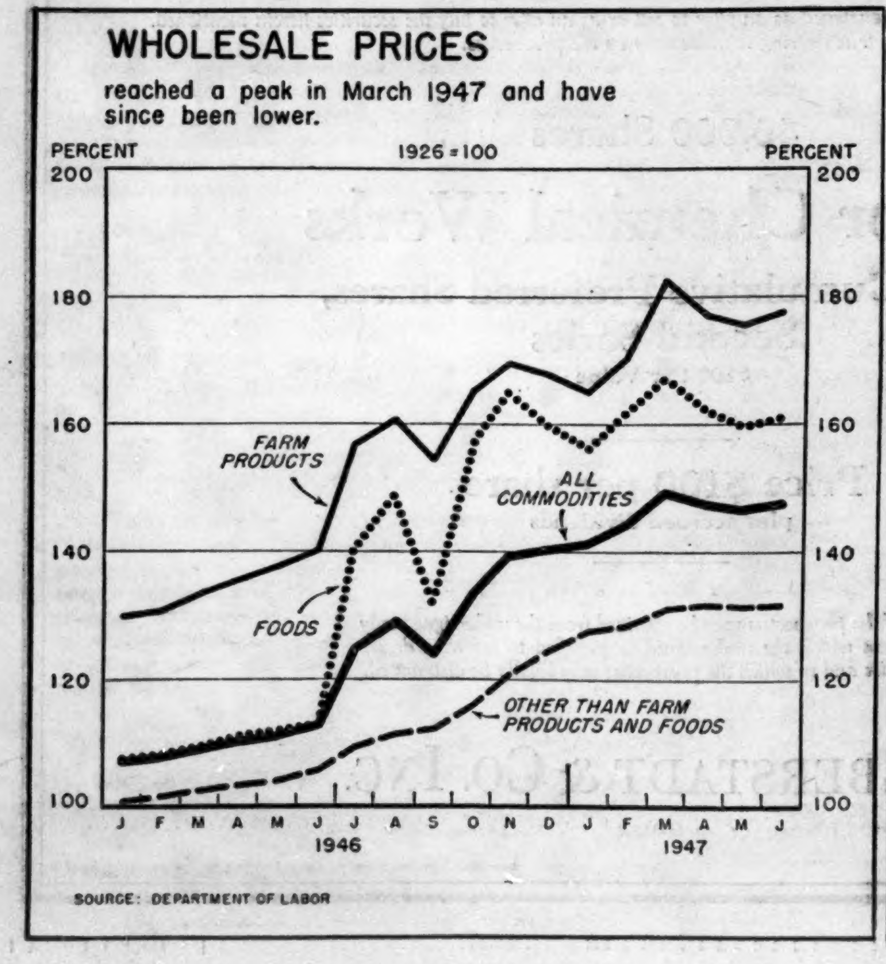
Wage levels, wage adjustments, and workers' incomes, however, are not solely the responsibility of management and labor. Action to sustain the purchasing power of low-income groups should also be taken by the government. It was recommended in the Economic Report in January that several measures be enacted to eliminate income inequities and to restore the purchasing power of certain underprivileged sections of the population. Specifically, the report urged upward revision of social security benefit payments, an extension of the coverage of the Fair Labor Standards Act, and an increase in the minimum-wage level.

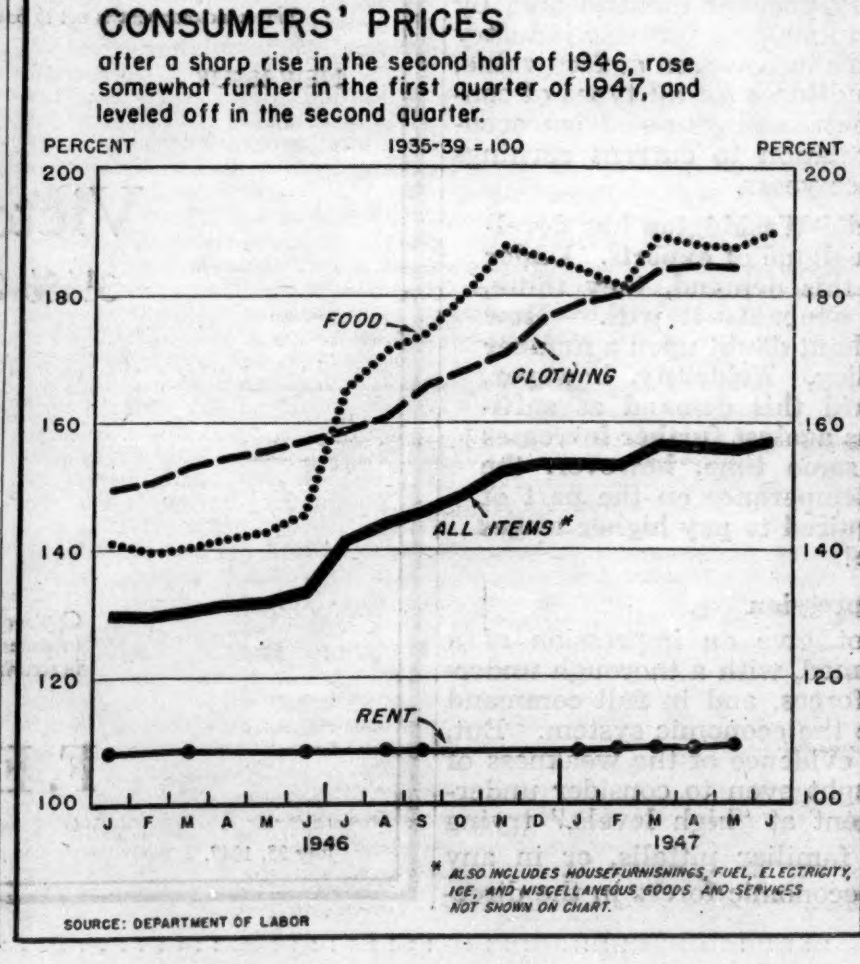
No action has thus far been taken toward raising social security benefits or on the minimum-wage subject although the latter recommendation was renewed in my message on the portal-to-portal pay bill. The minimum wage should be increased to at least 65 cents per hour by amendment of the Fair Labor Standards Act. Action by Congress is called for. But individual employers should raise substandard wages now, without waiting for congressional action. The increase in living costs makes the 40 cents minimum today equivalent to about 25 cents at the time the law was enacted.

In view of the inadequate provision for rent control in the extended act, this important element in the cost of living is certain to rise. This makes still greater the need for bolstering the incomes of those on the lower rungs of the economic ladder.

Profits and Business Financing

Total corporate profits, both before and after taxes, increased in the first half of 1947 above the record levels of the last quarter of 1946. The striking disparities between profits of durable-goods industries and non-durable-goods industries, which existed during part of the reconversion period, have now disappeared. Nearly all industries enjoyed high profits in





the fourth quarter of last year and the first half of this year. Profits of unincorporated businesses also increased somewhat between the latter part of 1946 and the first half of this year. For the last 6 months, total corporate profits after taxes represented a return of about 10% on net worth. Net farm income has continued at a record level.

High corporate profits have provided funds for a substantial proportion of the heavy volume of business investment during the first half of 1947. Business expenditures on new plant and equipment and on inventory accumulation were at an annual rate of nearly 25 billion dollars during this period. This volume of business investment was financed in three ways.

(1) The greater part continued to be financed from so-called internal sources—current earnings and previously accumulated liquid assets. During the war, corporations and businesses invested a large portion of their reserve funds in short-term government securities, with a view toward liquidating these funds in the reconversion period as they were needed for the purposes for which they had been accumulated. In the first half of 1947, corporations drew on their government-security holdings to a lesser extent than in 1946.

(2) Funds were secured from the issuance of new securities at an annual rate of 3 billion dollars.

(3) Business loans increased at an annual rate of about 1 billion dollars.

It must be recognized that a high volume of profits is necessary to make provision for the increased cost of buying inventory and capital equipment and the decreased real value of existing reserves at present price levels. Even after these allowances are made, it is evident that in many cases business profits are more than adequate to permit price reduction or wage increases, or some combination of both.

Responsibility for Adjustment by Business, Labor, and Government

In a free enterprise system, economic adjustment to changing conditions does not proceed according to any neat plan evolved at the seat of government and promulgated by governmental authority. Belief in the free enterprise system, as expressed in the Employment Act, stems from the conviction that the processes of dynamic economic life are so complicated and conditions change so fast that a multitude of local decisions and flexible revisions are indispensable to economic health and vigorous growth.

The activities of the war and the fiscal and monetary devices by which we financed that struggle introduced a profound upheaval in our economic affairs. The shock of war stimulated the country to full use of our resources. We do not propose to slump back to low productivity and underemployment. At present we are in the process of seeking to find a workable pattern of income and price relationships on a new price level but with continuing high production and employment. It is generally conceded that this new price level will be higher than prewar.

A large part of the increase in prices since 1940 has become imbedded in the cost and income structure of the economy. Hence decline to the prewar level could be expected only as an accompaniment of a depression. That we are all determined to prevent. Nonetheless, prices should be revised downward where profits are excessive or where reductions are needed to forestall a collapse of markets.

How much higher than prewar the price level will be, no one can say until a host of events have worked out their direct influences and remote repercussions. This must be done amid the pressures and resistances, the economic wisdom and the economic illiteracy, the forbearance and the avarice of many individuals and organizations, making their decisions within the structure of our economic institutions.

No individual, no organization, and no branch of government can be absolved of responsibilty for its part in this process. Each of these price, wage, or other income adjustments helps to determine the general levels of production and employment in the period just ahead. And since it takes time for the results of these decisions to become apparent, we must be far-sighted as well as broad-visioned in the decisions we make. We cannot wait until a drop in demand or some other market change forces the adjustment, unless we are willing to jeopardize the continuation of prosperity.

We depend first and foremost on business, farmers, labor, and the consuming public to eliminate or reduce the basic maladjustments that cause industrial strife, impair the willingness of business to invest, or limit the ability of consumers to buy the volume of goods and services that reaches the market. While the government should refrain from action that would tend to prolong maladjustments, it must be ever ready to perform its complementary role in sustaining and strengthening the economy.

Economic policy and performance still face a double task. Since extraordinary and transitional stimuli will begin to wane in due course, it is necessary to put in motion adjustments in production, prices, and incomes which will be needed to prevent deficiencies in demand and decreases in production and employment. At the same time, it is still necessary to use the fiscal powers of the government as a safeguard against inflationary possibilities which still exist.

A policy of budget surplus and debt redemption is imperative under present conditions to provide that safeguard. While the American people look forward to relief from the burden of taxes, tax reduction now would add to the existing temporary inflationary pressures. It would impede those basic adjustments in the private economy which must be made for achieving stability in the future.

Such a policy of restraint at the present time will enable us to use fiscal policies effectively if they are required at a later time to lend support to the economy. It is of the utmost importance that we be prepared to take prompt action should a downturn in business activity appear imminent. Such action taken at the proper time would help to prevent the downturn from developing into a serious deflation.

When the time comes for a relaxation of fiscal restraints, it will be necessary to formulate a program of tax reduction that will give aid where it is most needed, and that will fit into a broad program of improvement in our tax system. The purpose of fiscal policy must be to facilitate, rather than to hinder, the basic adjustments in the private economy which will be necessary for continued high employment and production. Fiscal measures such as these should be prudently timed —and the time is not yet.

Several recent developments have sharpened the evidence that the inflationary danger is still with us. These developments involve the agricultural outlook and food prices, wage advances and industrial productivity, housing and other construction, and the foreign aid program.

Chemical Bank Trust Official Changes

At the regular meeting of the Board of Directors of the Chemical Bank & Trust Company on July 24th, Frank K. Houston announced that he would relinquish


Harold H. Helm   N. Baxter Jackson

his active duties as Chairman of the Board on Aug. 1st, in accordance with the establish program of the Bank. He will become Honorary Chairman of the Board and Vice-Chairman of the Executive Committee, of which Percy H. Johnston is Chairman. Mr. Houston was President of the Bank from January 1935 to January 1946 and has been Chairman of the Board since then.

N. Baxter Jackson, President, was elected Chairman of the Board and Chief Executive Officer and Harold H. Helm, First Vice-President, was elected President, both effective Aug. 1.

Mr. Jackson is a graduate of Vanderbilt University and came to New York from the American National Bank in Nashville, Tennessee, in 1920, as an Assistant Cashier of the Chemical Bank. He was appointed a Vice-President in 1923, First Vice-President in 1935 and was elected the eleventh President of the Bank in 1946. He has been a Director of the Bank since 1929. He is also a Director of the Home Life Insurance Company of New York, General Reinsurance Corporation, North Star Reinsurance Corporation, American Chicle Company, McCrory Stores Corporation, United Stores Corporation, Cedar-Temple Realty Corporation, Phelan Realty Corporation and Chemical Safe Deposit Company. He is a member of the Association of Reserve City Bankers, a Trustee of Roosevelt Hospital, a Member of the Board of Trust of Vanderbilt University, and of the National Board of the Young Women's Christian Association of the United States of America.

Mr. Helm becomes the twelfth President of the Chemical Bank & Trust Company. He joined the Bank in 1920 following his graduation from Princeton University that year, and became Assistant Cashier in 1926, Assistant Vice-President in 1928, Vice-President in 1929 and First Vice-President in 1946. He has been a Member of the Board of Directors since 1941. He is a Director of the following companies: — Corn Products Refining Company, City Investing Company, Home Insurance Company, City of New York Insurance Company, Cedar-Temple Realty Corporation and Phelan Realty Corporation. He is a member of the Association of Reserve City Bankers. He is President of the Princeton National Alumni Association and Chairman of the Graduate Council. He is Trustee of Mountainside Hospital, The Kimberly School, Inc. and the Community Chest of Montclair. He is Trustee of the Pension Fund and a member of the Economic Policy Committee of the American Bankers Association, Trustee of the Davella Mills Foundation and the Whitehall Foundation, Inc.

Investors Syndicate Appoints Regional Sales Managers

MINNEAPOLIS, MINN.—Appointment of six regional sales managers to direct activities of Investors Syndicate's 146 offices throughout the country has been announced by Grady Clark, Vice-President and general sales manager. The men, now regional managers, are all veteran Investors Syndicate executives.

A. C. Munderloh of Detroit has been named sales manager for the Central region; G. M. Averyt of Harrisburg for the Eastern area; M. D. Campbell, Jr. of Lexington, Va., for the Southeast; Roosevelt Humphrey of Birmingham for the Southern area; Ivan Jones of Davenport, Iowa, for the Midwest; and J. E. Wilde of Salt Lake City for the West.

With Nat'l Co. of Omaha

Special to THE FINANCIAL CHRONICLE

OMAHA, NEB.—Raymond A. Baker has become associated with the National Co. of Omaha, First National Bank Building.

Two With H. O. Peet

Special to THE FINANCIAL CHRONICLE

OMAHA, NEB.—Walter R. Bowen and Joseph A. Leone have become associated with H. O. Peet & Co., Farnam Building.

Joins Capital Securities

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF.—James M. Miller has been added to the staff of Capital Securities Co., 2038 Broadway.

The State of Trade and Industry

(Continued from page 5)

all shipments, third quarter earnings for the steel industry as a whole should approximate first quarter records—among the highest in steel industry history. This excellent condition, however, will not be continued if steel demand, now strong, should slide off in 1948. There is little chance, however, of any substantial drop in steel industry activity throughout the remainder of this year.

In the face of rising steel prices, scrap markets throughout the country showed no tendency to back down this week. "The Iron Age" steel scrap composite again made a new record this week when it went to $40.83 per gross ton, up 83 cents over last week's level. No. 1 heavy melting advanced $1.50 a ton at Pittsburgh, $1 at Philadelphia and $3.50 at Detroit. But the biggest boosts came at Youngstown, up $5 a ton, and at Cleveland, $4 a ton. In Boston, brokers were paying $2.25 a ton more than last week while at New York the increase was $1.50.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 94.4% of capacity for the week beginning July 28, 1947, as compared with 93.1% one week ago, 72.0% one month ago and 89.6% one year ago. This represents an increase of 1.3 points, or 1.4% from the preceding week.

The week's opperating rate is equivalent to 1,651,900 tons of steel ingots and castings compared to 1,629,200 tons one week ago, 1,259,900 tons one month ago, and 1,579,100 tons one year ago.

ELECTRIC OUTPUT 8.7% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended July 26, 1947 was 4,730,229,000 kwh, according to the Edison Electric Institute. This compares with 4,732,434,000 kwh in the preceding week and was 8.7% in excess of the 4,352,489,000 kwh produced in the corresponding period of last year.

RAILROAD FREIGHT LOADINGS CONTINUE BELOW 1946 FIGURES

Loading of revenue freight for the week ended July 19, 1947 totalled 919,734 cars, the Association of American Railroads announced. While this was a decrease of 1,762 cars, or two-tenths of 1% below the corresponding week in 1946, the carload traffic exceeded that week, and in fact exceeded any corresponding week for the past several years. The total loading represented an increase of 37,086 cars, or 4.2% above the same week in 1945 and showed an increase of 112,773 cars, or 14% above the preceding week in 1947.

Coal loading amounted to 181,264 cars, a decrease of 9,122 cars below the corresponding week in 1946, but an increase of 78,555 over the preceding week in 1947, indicating that coal production and movement is approaching the high level which preceded the miners holiday.

BUSINESS FAILURES RISE

Commercial and industrial failures in the week ending July 24 rose to 76, reports Dun & Bradstreet, Inc. Up from 63 in the previous week, concerns failing were six times as numerous as in the corresponding week of 1946 when failures totalled 13.

Three-fourths of the failures were concentrated in manufacturing and retail trade. The number of manufacturers failing rose from 19 in the previous to 30 in the week just ended whereas retailers failing remained at 21. Concerns failing in construction, at 12, doubled the number reported a week ago, while concerns failing in the wholesale group, at 10, fell off 1 from last week's level. Compared with the same week in 1946 failures in all groups increased sharply this year except in the commercial service group where failures remained at 3.

WHOLESALE FOOD PRICE INDEX DOWN 4 CENTS IN LATEST WEEK

After a three-week rise, food prices turned downward this week. The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., dropped 4 cents to stand at $6.48 on July 22 as compared with $6.52 recorded a week earlier. The current figure compares with $5.20 on the corresponding date a year ago, an advance of 24.6%.

Individual price changes during the week included rises in flour, wheat, oats, hams, bellies, and beans. Declines were listed for corn, rye, beef, lard, butter, coffee, cottonseed oil, cocoa, eggs, potatoes, steers, hogs, and lambs.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

DAILY WHOLESALE COMMODITY PRICE INDEX MOVES SLIGHTLY HIGHER

Continuing the uptrend of the previous two weeks, the Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., moved slightly higher during the past week to close at 266.57 on July 22. This represents a 1.0% increase over the 264.02 recorded a week earlier. On the corresponding date a year ago the index stood at 223.72.

Grain markets were unsettled and prices during the week fluctuated uncertainly. Deferred deliveries of wheat and corn sold at new seasonal highs and then reacted under heavy profit-taking and liquidation toward the end of the week. The Government, on Wednesday, withdrew from the market as a cash buyer of wheat. Prices weakened slightly but the withdrawal was considered by the trade as being only temporary. Reports indicating that the corn crop continues to be one to three weeks late were the chief factor in the maintenance of a heavy demand for corn futures. Country offerings of corn in the cash market were relatively small. Cash oats were firm, the greater part of the strength coming from sympathy with other grains. The domestic demand for flour was spotty; order volume was limited to small lots for nearby shipment. Cash lard prices were slightly lower; the domestic demand was slack and stocks continued to increase. Stocks in cold storage on July 15 totaled 76,904,000 pounds, an increase of 8,144,000 pounds since June 30. A year ago stocks aggregated 4,265,000 pounds.

Cotton prices in the domestic market continued to advance during the week. A 27-year high of 39.59 cents was established for July cotton before the contract expired on July 24. A moderate reaction set in toward the end of the period but most future prices continued to climb, with the broadest increases noted for the July and October, 1948, contracts. In the spot market, demand was fairly heavy but offerings were limited. Mill demand was light and orders were mostly for future delivery. The weather in most sections was favorable; rain was needed in Texas and Oklahoma. The central and eastern sections of the belt reported weevil infestation above average; high temperatures in the South and West helped to keep the insect in check in those areas. The consumption of all cottons as reported by the Census Bureau totaled 755,000 bales in June, as compared with 828,000 in May, and 793,000 during June of last year. Consumption on a daily average basis last month was estimated at 36,000 bales. This was 5.5% below the rate in May, and slightly lower than that in June a year ago. Trading in cotton gray goods was active; numerous sales of print cloths, broadcloths, and sheetings for delivery in the first and second quarters of 1948 were reported. Prices on all constructions remained firm.

Activity in the Boston wool market continued steady last week. The demand for fine combing wools was particularly heavy; prices remained firm. There was a noticeable absence of good quality Australian and South African wools. Most woolen mills were back in operation after the two-week vacation and inventory-taking period.

RETAIL AND WHOLESALE TRADE MAINTAINS RISE

Retail volume in the week ended last Wednesday rose slightly from the high level of the previous week and was moderately above that of the corresponding week a year ago. Consumer concern over the narrowing between income and the cost of living resulted in increased quality-price consciousness and a heightened tendency to shop around. Clearance sales of inferior merchandise failed to attract the consuming public; interest centered on medium-priced items.

Food volume increased moderately over that of the previous week. Fresh fruits and vegetables were in abundant supply and reasonably priced. Cold Cuts, poultry, and frozen meats sold well; the volume of ice cream and other dairy products was high. Established brands of good quality canned foods evoked consumer interest. Hot weather in many areas stimulated the sale of beer and soft drinks.

Clothing clearance sales were instrumental in keeping volume at high levels. Beach and sportswear were in good demand. Men's washable cotton and tropical weight suits were popular items. Standard brands of men's shirts were in limited supply in some parts of the country. The purchasing of lightweight, dark colored summer dresses was brisk; infants' wear volume was steady. Consumer buying of men's and women's shoes declined.

Household and lawn furniture, carpenter tools, and branded electrical appliances continued to be in large demand. Price cuts were prevalent on branded electric irons. Sales of paints, hardware for building and repair, and wallpaper increased. Automobile supplies sold well. Consumer apathy to notions and toilet articles increased; leg lotion sales were substantially below last year's level.

Retail volume for the country in the week ended Wednesday was estimated to be from 7 to 11% above the corresponding week of 1946. Regional estimates exceeded those of a year ago by the following percentages: New England, 6 to 10; East, 8 to 12; Middle West and Northwest, 7 to 11; South, 3 to 7; Southwest, 4 to 8; and Pacific Coast, 5 to 9.

Apparel volume continued at a high level. Faille suit dresses and mid-season sheer dresses were reordered in good volume; bathing suits continued to find a ready market. Fall dresses, fur-trimmed swing back coats, and sportswear were purchased heavily; the wide use of corduroy for rainwear, suits, and dresses met popular acceptance. The demand for wool shirts, sweaters, and gloves increased. Order volume of men's and boys' heavyweight underwear continued to be large.

Textile trading was active; the supply of some fabrics became increasingly limited. Corduroys, worsteds, and rayon crepes were the most popular fall fabrics. The demand for all staple fine combed cotton gray goods continued to be substantial. Cutters and retailers sought to replenish their diminished stocks of drills, twills, jeans, and poplins. Fine quality wool yarn and woolen materials were in large demand.

A limited number of orders were placed at the New York lamp show; reflector type lamps attracted considerable buyer interest. Good quality dining and bedroom suites continued to be sought. Increased demand was evident for shellac and aluminum nails. Small tool sales increased; the deliveries of small motors improved.

The brightened outlook of retailers was reflected in a rapid turnover of merchandise in the week ended last Wednesday; wholesale volume rose moderately above the level of the previous week and was in moderate excess of the corresponding week a year ago. Retail buying continued to be cautious but more confident than in previous weeks. A preference for branded merchandise was evident among buyers; the buying of poor quality items was carefully avoided.

BANK CLEARINGS CLOSE TO 1946 LEVEL

Total bank clearings this week were about on a level with a year ago as a rise in the outside cities was offset by a moderate drop in the volume of New York City exchanges, according to Dun & Bradstreet, Inc. Clearings in 24 major cities were $12,536,001,000 in the week ended Wednesday, July 23. This was .04% below the previous week's total transactions and was only 1.6% above the $12,341,603,000 of a year ago.

New York City clearings dropped 3.5% to $6,622,598,000 and were 5.6% below the $7,012,031,000 of the corresponding 1946 week. Turnover in the other 23 cities was $5,913,403,000; this was 11% above the $5,329,572,000 of last year and 4.0% above that of a week ago.

Increases above a year ago exceeded 20% in five of the reporting cities. They were up 35.2% in Houston, 22.6% in Detroit, 20.9% in Minneapolis, 20.7% in Richmond, and 20.5% in Dallas.

Minnesota Group of IBA Comm. Chairmen

MINNEAPOLIS, MINN.—Stanley R. Manske, First National Bank of St. Paul, has been appointed Chairman of the Legisla-

Oscar M. Bergman

L. E. Shaughnessy

tive Committee of the Minnesota Group of the Investment Bankers Association of America. Oscar Bergman, Allison-Williams Co., Minneapolis, has been made Chairman of the Municipal Securities Committee, and L. E. Shaughnessy, Park - Shaughnessy Co., St. Paul, has been reelected Chairman of the Educational Committee. The new appointees will take over their official duties this fall. All three automatically become members of the corresponding national committees.

General duties of all three Committees are to promote a high standard of ethics in the profession and supervise and watch developments in each particular field. Legislation enacted by Minnesota, North Dakota, South Dakota and Montana will be closely watched by Mr. Manske who assisted the retiring Chairman during Minnesota's 1947 session, with Mr. Bergman keeping in close contact with anything affecting the municipal business.

In education, Mr. Shaughnessy is preparing for the University of Minnesota's extension division course in "Fundamentals of Investments," based on the nationally-used book of the IBA. This year's class, divided into two 18-week semesters, starts Sept. 29 in Minneapolis and Oct. 1 in St. Paul.

Smith, Barney Opens Boston Sales Office

BOSTON, MASS.—Smith, Barney & Co., members of the New York Stock Exchange, are opening a Boston sales office at 75 Federal Street. Roland H. Schuerhoff will be the firm's representative. He was formerly with Weeden & Co.

Granbery, Marache & Lord To Admit Robt. de Coppet

Robert F. de Coppet, member of the New York Stock Exchange, will become a partner in the Exchange firm of Granbery, Marache & Lord, 52 Broadway, New York City, on Aug. 1. Mr. de Coppet formerly did business as an individual floor broker.

On July 31, Clifford V. Brokaw, Jr., member of the Stock Exchange, and Charles L. Cleveland will withdraw from partnership in the firm.

With Strauss Bros., Inc.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Jay Berkson has joined the staff of Strauss Bros., Inc., Board of Trade Building.

With P. W. Brooks Co.

Special to THE FINANCIAL CHRONICLE

PORTLAND, MAINE — Colby M. Ward has become connected with P. W. Brooks & Co., Inc. of New York.

Free International Markets Essential to Peace and Prosperity

(Continued from first page)

000 people, the prophets of gloom claimed there were too many people. But free enterprise, invention, and free trade enable 40,000,000 people to live better in modern England than 6,000,000 did 200 years ago. Even in the United States, we have been told, at such times as during the depressions of 1837 and 1873, that this country had too many people. Time has proved the errors of these claims. The population has multiplied many-fold, and the average American family today has a higher standard of living than ever before.

Because of our convictions that free markets are necessary for stability and progress, we have waged a continuous battle since the end of World War II for free domestic markets, and with the passing of the OPA and war regulations, these free domestic markets seem to be almost within our grasp again. But free markets at home are not enough; we need free international markets, and not an international OPA which seems well on its way to full development under the strict, and unless carefully handled, destructive controls of government agencies and international agreements which can be the worst forms of monopolies and cartels. Government regulated international monopolies are far more destructive of private competition and the growth of international trade than are private monopolies.

Our Opportunity and Responsibility in World Affairs

Free international markets are needed today both for ourselves and the rest of the world. Our obligations are not confined within the borders of the United States. Transportation-wise, in time and communication, the world has shrunk in size, but has grown enormously in production, specialization, and inter-dependence. We can no longer isolate ourselves from the economic and financial conditions in other countries. If we expect to do our part to keep peace in the world and maintain prosperous conditions at home, we must be concerned with the financial conditions, production, trade, and all their related problems in other countries.

We are more dependent on the rest of the world than we were before the war. In many instances, our raw materials have been greatly reduced. We are dependent on the rest of the world for our immediate supply of tin, aluminum, copper, lead, zinc, paper, and a great variety of chemicals, and many other products necessary for our manufacturers. We produce less than one-third of our needed sugar supply. We import a large part of our coffee, tea, spices, tropical fruits, and a great variety of other consumer goods from foreign countries.

On the other hand, we have surpluses of manufactured goods and some raw materials. Ordinarily, we produce more than we consume of wheat, cotton, and a great variety of canned products. We are exporters of office machinery, farm machinery, motor vehicles, and the products of the oil industry.

When we have a small surplus over our needs for consumption in any one product, it is a simple economic law that the price of that product is depressed wholly out of proportion to the surplus. Likewise when there is a scarcity of some desired product, the price is bid up all out of line to the percentage of the scarcity.

Conflicts of Interest and Costly Regulations Reduce Trade

As a consequence of the working of these economic price-making forces, the producers of products with a surplus for export generally favor lower tariffs and free trade for the products they buy, but insist on protecting the home market for their own products. But the producers of products without a surplus for our domestic needs insist on protection in order to hold up their prices above the world prices. It is interesting to observe how our enlightened self-interest works. The marginal producers of copper insisted that we keep the 4-cent tariff on copper, because the removal of this tariff, they said, would bring in foreign copper at prices below their costs of production, whereas the fabricators of copper demanded that the 4-cent tariff be removed, because the prices of copper were so high that the raw material costs forced the price of their finished products up to more than the users of their products were willing to pay. The wool growers insist on a high tariff to keep out cheap foreign wool. The woolen manufacturers demand a lower tariff on wool to keep down their costs of production, but they insist on a tariff against manufactured woolen products to protect them against cheap foreign goods. This list could be extended to literally thousands of items. As evidence, recently tariffs have been reduced on more than 1,000 items through the bilateral trade agreements.

Tariffs Are Not the Only Form of International Trade Restrictions

In addition to tariffs, most countries today engage in some form of trade regulations, quotas, subsidies, and currency value juggling to regulate imports and exports. This maze of bureaucratic regimentations and restrictions in international trade, heaped upon the details and costs in connection with foreign trade transactions have reduced the volume of foreign trade to a minimum of what it would be if we could only have freedom to buy and sell goods wherever goods are wanted. Today this freedom is needed more than ever before. The rest of the world has goods and raw materials that we need, and, in turn, the rest of the world is desperately in need of food, machinery, and many products that the United States has, or is capable of producing in great surplus over our domestic needs.

Rebuilding Conditions for Free Foreign Markets

One of the most difficult problems facing the modern world in its struggle for peace and security is how to gain the cooperation of the various countries in restoring the conditions necessary for trade and prosperity.

In addition to tariff reductions already made, a broad program of tariff rate reductions is contemplated this year. The cuts will affect a wide range of industries and provide consumers with a more ample supply of goods in many lines at lower prices. Tariff cutting power is given the President under the Trade Agreements Act, which enables him to cut tariff rates as much as 50% without Congressional action up to Jan. 12, 1948. Agreements entered into under this Act may run for three (3) years.

The State Department has tariff cuts to offer 18 foreign countries in exchange for concessions, which include a reduction of tariffs, the easing of import quotas and other controls. If and when these tariff reductions are carried out, United States tariffs will be the lowest since 1920. Tariff cuts already made reduce the average to about one-third below the Smoot-Hawley tariff level of 1933. When the maximum proposed reductions are carried out, the average will be two-thirds below that level.

The list of commodities on which tariff reductions are proposed exceeds 3,000. These commodities include metals, farm products, wool, cotton, liquors, sugar, flax, wood, chemicals, glassware, tobacco, fishery products, silk and rayon goods, and a whole catalog of individual specialized products in these groups.

Based upon the Tariff Commission's assumed national income, with another reduction of 50% in tariffs, imports subject to duty might be expected to increase from $1,000,000,000 in 1939 to about $2 8/10 billions. However, this increase in imports could largely take place without the tariff reduction, if the higher national income prevails. At the peak of expectations, foreign goods might supply a little more than 5% of the U. S. markets, against almost 4% in 1939 with a much lower national income.

It is proposed that specialized agencies within the United Nations deal with these problems. But these agencies are moving too slowly to avert international difficulties and depression already being threatened from various parts of the world, including our own country. Another matter that is disturbing is the apparent regimentations and restrictions which these international agencies propose to impose upon trade and commerce. It is just possible that these agencies, in their zeal for restriction and control, will do more harm to world recovery than they can possibly do good. The outstanding needs are a restoration of sound currencies and free markets with the minimum of restriction and red-tape.

Sound Money

Controlled exchange rates, blocked currencies, and uncertainty as to the future values of currencies are powerful forces in the restriction of trade. International trade thrives where forward commitments can be made with a certainty as to the date of payment and the value of the payment when it is made. The first essential in freeing the international markets and restoring foreign trade is the restoration of sound monies through a free gold market, where monies are permitted to find their values with reference to gold in free competition and with a determination on the part of the governments and the peoples of the respective countries to end their inflation and currency manipulation tactics. No amount of gifts, free food, or credit will restore sound economic and financial conditions in a country that does not have a will to return to sound money. A country with a determination to return to sound money needs only raw materials, workmanship, a little credit, and some good salesmen to start the outflow of goods to the world's markets, and the inflow of the goods and gold it needs with free markets. A good example of such a country is Switzerland. Switzerland imports a large part of the raw materials for her manufacturing industries and consumers' goods. But she has a will to maintain sound money. She has skilled workmen, and her quality products are the envy of many other countries—for example: Swiss watches, against which we have raised a high tariff. Switzerland will never need to ask the world for a redistribution of gold if she can have access to free markets. No costly regulation of foreign trade, gold movements, or bilateral trade agreements can ever provide a fraction of the efficiency in balancing international debits and credits, and adjusting prices, and regulating the volume of foreign commerce as the costless free adjustments in free markets so well described by F. W. Taussig:

"So insignificant are the ordinary movements of gold from one country to another, so likely to be disguised by eddies and cross currents due to the complexity of international dealings, that some writers have pooh-poohed the whole theory of the equalization of imports and exports through changes in international prices. Yet without this theory it is impossible to explain the facts, and especially the equalization of the money value of exports and imports. The influence of the quantity of gold on prices, slow-moving as it is, and subject to all sorts of disturbing causes, is the underlying persistent force which determines not only the international distribution of specie, but also the variations in the purchasing power of gold in different countries and the greater or less extent to which those countries share the gains from international trade. . . . The comparative smallness of the ordinary flow is due mainly to the fact that international trade, long-maintained, has already brought about such a distribution of the precious metals, and such a range of prices in the several countries, that their exchanges balance very closely. It is only when great economic changes occur that a large movement of specie takes place; and even then it is commonly distributed over a period of several years."[1]

When a country starts regulating its trade to provide artificial protection for its gold supply, maintain prices and employment, it is on the road to a closed and regimented economy — economic and industrial decay and decline. By this time, the United States and the British Empire countries should have learned better from the lessons of history. We should take the leadership in practicing sound economic policies, and the rest of the world will follow our example because of their own self-interest.

1 Principles of Economics by F. W. Taussig, Ch. 33, Vol. 1, pp. 460-461—(3d ed.).

Illinois Dealers Hold Meeting and Outing

ROCKFORD, ILL.—The Illinois Securities Dealers Association held their monthly directors meeting, combined with an outing at the Mauh-Nauh-Tee-See Country Club at Rockford, Illinois, on July 17, 1947. The Rockford Security Dealers Association, through its Vice President, Boyd J. Easton, had extended the invitation to the officers, directors and chairman of the standing committees of the Illinois Securities Dealers Association.

The following were awarded prizes:

A. R. Hughes of A. R. Hughes & Co. won the "golf trophy."

Richard King of King, Olson, Surprise & Co. won the "attendance trophy."

David L. Shillinglaw of Shillinglaw, Bolger & Co. won the "consolation golf trophy."

M. G. H. Kuechle of National Securities & Research Corp. won the "kibitzer prize" for outstanding ability as a heckler.

Members of the Illinois Securities Dealers Association who attended the all-day outing and the banquet given at the Mauh-Nauh-Tee-See Club House were F. S. Yantis, President, John F. Detmer, Secretary, and the following: David L. Shillinglaw, Boyd J. Easton, Owen Van Camp, M. G. H. Kuechle, Harry A. Trees, Robert Strauss, Henry D. MacFarlane, and A. R. Hughes. Among the Rockford Security Dealers Association members who were present were: Arthur Anderson, Paul Conrads, Richard King, Richard Olson, John Ralston, Carl Starr, and Albert E. Surprise.

Public Service of Colo. Pfd. Placed on Market

The First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co. jointly headed an investment banking group which offered on July 30 at $100 per share plus accrued dividends from June 1, 1947, a new issue of 160,000 shares of 4¼% cumulative preferred stock, $100 par value, of Public Service Company of Colorado, awarded to the group at competitive bidding on July 28. Of the total issue, 62,199 shares are being offered subject to prior rights of holders of the company's 7%, 6% and 5% preferred stocks to exchange such stock, on or before Aug. 8, 1947 for new shares on a one-for-one basis, plus cash adjustments. The unexchanged portion of old preferred stock will be redeemed on Oct. 1, 1947, at $110, $106 and $107 per share for the 7%, 6% and 5% series, respectively, plus accrued dividends.

Proceeds from the sale of the remaining 97,801 shares will be applied together with other funds to finance a $47,000,000 construction program expected to be completed by 1951.

Capitalization of the company adjusted to reflect this financing consists of $47,000,000 of funded debt, 160,000 shares of 4¼% cumulative preferred stock, and 875,000 shares of $20 par common stock.

Incorporated in 1924, the company succeeded to a business originally founded in 1869. Subsidiaries wholly owned by Public Service Co. of Colorado include: Colorado-Wyoming Gas Co., The Green & Clear Lakes Co., Cheyenne Light, Fuel & Power Co. and The Pueblo Gas & Fuel Co. The company and subsidiaries supply electricity and gas within the State of Colorado, serving a population of approximately 740,000. Pro forma consolidated operating revenues for the 12 months ended March 31, 1947, totaled $26,469,708, and net income $4,707,729.

Halsey, Stuart Offers Miss. Power Co. Bonds

Halsey, Stuart & Co., Inc., on July 30 offered to the public $2,500,000 Mississippi Power Co. first mortgage bonds, 2⅞% series, due Aug. 1, 1977, at 101% and accrued interest. The firm won the award of the bonds at competitive sale on a bid of 100.269.

Net proceeds from the sale of the bonds are proposed to be used by Mississippi Power to provide a portion of the funds required for the construction or acquisition of permanent improvements, extensions and additions to its property or to reimburse its treasury in part for expenditures made for such purposes. The company plans expenditures of approximately $10,336,000 during 1947, 1948 and 1949 for the construction or acquisition of property additions.

The new bonds will be redeemable at prices ranging from 105¼% to par and also at special redemption prices scaled from 101% to par; in both instances plus accrued interest.

The company, a subsidiary of the Commonwealth & Southern Corp. (Del.) and one of the companies in Commonwealth's so-called "Southern Group," operates in the State of Mississippi and is engaged in the generation and purchase of electric energy and its distribution and sale at retail in 139 communities, incorporated and unincorporated, as well as in rural areas, the sale at wholesale of electric energy to a non-affiliated electric company and six rural cooperative associations and, incident to its electric business, the sale of appliances.

Federal Reserve Analyzes Debt Retirement

(Continued from page 18)

subsequently in main part to retire short-term issues held by the banks.

Sources of Funds for Retirement of Marketable Debt, and Changes in Gross Debt, March 1, 1946-June 30, 1947

(In billions of dollars)

Source of funds & change in debt	Mar. 1-Dec. 31, 1946	Jan. 1-June 30, 1947	Mar. 1, 1946-June 30 1947
Funds for retirement of marketable debt:			
†Exc. of cash income over cash outgo	2.1	*4.6	*6.7
‡Net cash sales of nonmarketable debt	— 1.4	+1.7	+ 0.3
Draft on Treasury Gen'l Fund balance, etc.	22.5	§1.6	24.1
Total	23.2	7.9	31.1
Change in gross direct debt:			
Marketable debt	—23.2	— 7.9	—31.1
Nonmarketable public issues	— 0.8	+ 2.6	+ 1.8
¶Other debt	+ 3.9	+ 4.4	+ 8.3
Total	—20.1	— 0.9	—21.0

*Estimated.

†The excess of cash income over cash outgo does not equal the budget surplus shown in the daily Treasury statement. Budget expenditures also include noncash expenditures, and budget receipts exclude certain social security employment taxes, so that the budget surplus is usually smaller than the cash surplus.

‡Differs from change in nonmarketable public issues shown in lower part of table principally because of exclusion of accrued discount on savings bonds and savings notes and of armed forces leave bonds and of inclusion of special issues to the Postal Savings System and the Federal Deposit Insurance Corporation.

§The actual decline in the balance was $0.2 billions. The figure of $1.6 billions shown represents the net of certain additional adjustments consisting principally of a gain of $1.8 billions to the general fund balance due to the transaction in connection with the payment of the United States' contribution to the International Monetary Fund, and a loss of $0.4 billions reflecting adjustments due to preliminary nature of data.

¶This increase in debt reflects issuance of securities for some noncash expenditures, including transfers to trust accounts, and international securities. These noncash items, which are included in budget expenditures but not in cash outgo, are financed by the issuance of Treasury obligations and hence affect the gross public debt.

As shown in the preceding table and the chart, debt redemptions during the first six months of 1947 were made possible principally by an excess of current cash income over cash outgo which supplied funds for more than half of the retirement of marketable debt during this period. Owing to declining expenditures and a high level of tax receipts, the position of the budget continued to improve and current surplus became an increasingly important source of debt retirement as funds acquired in the Victory Loan were depleted. Seasonally high tax receipts in the first quarter of 1947 resulted in an excess of cash income over cash outgo of over $5 billions, but for the second quarter of 1947 the cash outgo exceeded cash income.

Total maturities, other than Treasury bills, from February 1946 through June 1947 amounted to $64 billions. As shown in the following table, nearly $30 billions of this amount was redeemed for cash, in addition to $1.2 billions of Treasury bills. Maturing Treasury bonds, which accounted for only a very small part of total maturities during the period, were retired in full. About three-fourths of maturing Treasury notes were paid in cash and the remainder was refunded into certificates. Thus, nearly $11 billions of total cash payments represented retirements of maturing Treasury notes and bonds, while cash retirements of certificates and bills amounted to $20 billions. Matured certificates and bills not redeemed were refunded into like securities.

Retirement and Refunding of United States Government Marketable Public Securities, March 1, 1946-June 30, 1947

(In billions of dollars)

	Total	Bills	Certificates	Notes	Bds.
Matured	80.9	*17.0	50.2	11.4	2.3
Refunded:					
Into certific's	34.0	---	31.1	2.9	---
Into bills	15.8	15.8	---	---	---
Paid in cash, total	31.1	1.2	19.1	8.5	2.3
†To Fed. Res. Banks	6.6	1.0	4.3	1.1	.2
†To commercial banks	15.7	---	9.1	5.3	1.3
†To other holders	8.8	.2	5.7	2.1	.8

*The total of Treasury bills outstanding matures every 13 weeks so that the total bill maturities during the period amounted to $90 billions. There were $17 billions of bills outstanding continuously until April 1947, when the retirement of part of weekly maturities was begun, and there were $15.8 billions outstanding on June 30, 1947.

†Amounts shown represent par value of holdings of issues retired, at end of month or latest date available preceding retirement. Payments to commercial banks are estimated on basis of data in Treasury Survey of Ownership of U. S. Government securities.

As shown in the chart and in the preceding table, nearly the entire decline in debt reflected a decrease in short-term issues—bills, certificates, and notes. Since cash retirements were heavily concentrated in short-term issues, which are held mostly by the banking system, the retirement program was a significant factor in the credit picture.

Changes in Ownership of Debt

Changes in the distribution of holdings of U. S. Government securities since the spring of 1946 were influenced primarily by the retirement program. Commercial banks showed the largest decline in holdings; they accounted for half of the retired issues and in addition sold substantial amounts of securities in the market. Federal Reserve holdings showed a slight decline; open market purchases did not quite offset redemptions. Holdings of nonbank investors also declined; reductions under the retirement program were offset only in small part by market purchases.

Market sales of U. S. Government securities by commercial banks occurred mostly in 1946. Security holdings of commercial banks declined from February through December 1946 by $18.6 billions, or $5.8 billions more than the decline in holdings due to cash payments under the retirement program. These market sales, which were largely for the purpose of replenishing reserve funds, were mostly absorbed through Federal Reserve purchases, largely of certificates and bills. During the first half of 1947 commercial banks as a group continued to sell government securities, but less continuously and for the six-month period as a whole in substantially smaller amounts. The effect of these and other developments on the reserve position of banks is discussed in a later section of this article.

From the beginning of the retirement program to June 30, 1947, the total decline in U. S. Government security holdings of commercial banks is estimated at $22.6 billions. The decline was largely in issues maturing in less than one year, since both cash retirement of matured issues and market sales were from issues in this group. Securities due or callable in from one to five years increased somewhat. A small amount of sales and the passage of issues into the shorter maturity classification were more than offset by issues moving down into this group from the over-five-year range. In the longer maturity groups, comprising securities callable in over five years, commercial banks made some market purchases but, due to the passage of issues into shorter maturity classes, a sizable decline in bank holdings of these maturities was shown.

Changes in Ownership of U. S. Government Marketable Public Securities, March 1, 1946-June 30, 1947

(In billions of dollars)

Period and Type of Change—	Total	Banking System: Commercial Banks	Banking System: Fed. Res. Banks	Banking System: Total	Other Investors
March 1-Dec. 31, 1946:					
Cash redemption	—23.2	—12.8	—4.6	—17.4	—5.8
Net purchase or sale	---	— 5.8	+5.1	— .7	+ .7
Total change	—23.2	—18.6	+ .5	—18.1	—5.1
Jan. 1-June 30, 1947:					
Cash redemption	— 7.9	— 2.9	—2.0	— 4.9	—3.0
Net purchase or sale	---	— 1.1	+ .5	— .6	+ .6
Total change	— 7.9	— 4.0	—1.5	— 5.5	—2.4
Total, Mar. 1, 1946-June 30, 1947:					
Cash redemption	—31.1	—15.7	—6.6	—22.3	—8.8
Net purchase or sale	---	— 6.9	+5.6	— 1.3	+1.3
Total change	—31.1	—22.6	—1.0	—23.6	—7.5

NOTE—Figures are estimated in part on the basis of estimated changes in holdings of all member banks and in part on the basis of data in Treasury Survey of Ownership of U. S. Government securities.

Because of the drastic decline in short-term holdings, the average maturity composition of government security portfolios at commercial banks lengthened somewhat; issues due or callable in one year, which at the beginning of the retirement program comprised over one-third of total holdings, declined to one-fourth by April 30, 1947. The relative importance of intermediate maturities, those within one to five years, rose considerably, while the proportion of longer-term issues remained about unchanged.

From February through December 1946 market transactions of investors other than Federal Reserve and commercial banks included some net purchases, but these fell far short of retirements. Mutual savings banks and insurance companies made substantial net purchases while Federal agencies and trust accounts showed substantial net sales. Marketable issues held for these accounts were sold in the market and were replaced by special issues. Corporations, individuals, and others as a group bought on balance. Bonds were purchased by commercial banks, insurance companies, and mutual savings banks and were supplied primarily by Federal agencies and trust accounts and by corporations.

During the first six months of 1947 market transactions by investors other than commercial banks or Federal Reserve Banks resulted in some increase in their holdings which continued to decline on balance due to debt retirement. Mutual savings banks and insurance companies continued to purchase and Federal agencies and trust accounts continued to show net sales, which were heavily concentrated in recent months. The other groups, largely corporations, purchased heavily in the market during the first quarter of the year but probably made net sales during the second quarter. Changes in nonmarketable debt during both periods included reductions in tax notes held by corporations and a gradual increase in savings bonds outstanding.

Changes in Deposits

The debt retirement program resulted in a substantial reduction in total deposits because a large part of the public debt which was retired was held by the banking system. To the extent that the public debt retired was held by commercial banks or Federal Reserve Banks, redemption payments resulted in an equal reduction of total deposits. Where the debt was held by nonbank investors, redemptions resulted in no change in total deposits; the use of accumulated war loan deposits to retire such debt merely shifted deposits from Treasury to private accounts. Fluctuations in deposits at banks and in currency in circulation outside banks are shown in the accompanying chart.

Total deposits at commercial banks, including United States Government deposits but excluding interbank balances, declined by $12.3 billions in the period from February through December 1946, but by only an additional $1.6 billion during the first six months of 1947. As shown in the following table, retirement of bank held debt of $17.4 billions was the major factor of contraction during the earlier period, but it was offset in considerable part by the creation of new deposits resulting from a rapid expansion of commercial bank loans and some increase in investments other than government securities. During the later period, the retirement of bank held debt amounted to only $4.9 billions, but the offsetting credit creation due to the expansion of private loans and investments was also at a much slower rate.

The economic significance of deposit changes during the past year and a half lies not in the decrease of total deposits but in the further growth of deposits of businesses and individuals. The decline in Treasury war loan deposits from $24 billions at the end of February 1946 to less than one billion at the close of June 1947 reflected the wiping out of funds, most of which had been obtained by Treasury borrowing in excess of needs and had never entered the active money stream. The increase in privately held deposits, on the other hand, added to potentially effective purchasing power.

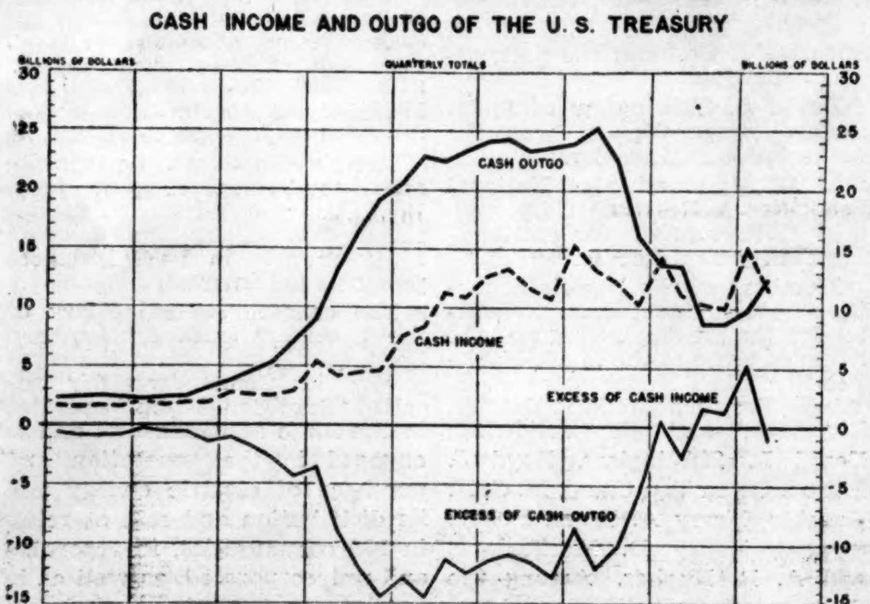
Privately held deposits continued to expand in 1946 to new high levels. The growth of $9.6 billions from February through December was at an annual rate nearly equal to the average annual increase during the war period. The growth of privately held deposits reflected both the creation of new credit, largely through bank loan expansion, and a shift of deposits from Treasury to private account. This shift, which was of nearly equal importance with the creation of new credit, resulted from the use of war loan deposits to retire nonbank held debt.

In the first of half of 1947, on the other hand, the expansive factors offset the contractive; total deposits showed only a slight decrease and privately held deposits ceased to increase. Loan expansion was at a slower rate and the further reduction in war loan deposits was very small. Retirement out of current budget surplus of debt held by commercial banks at the same time tended to reduce deposits and, as shown in the preceding table, served to offset the remaining gain in privately held deposits from other sources.

Effect on Bank Reserves

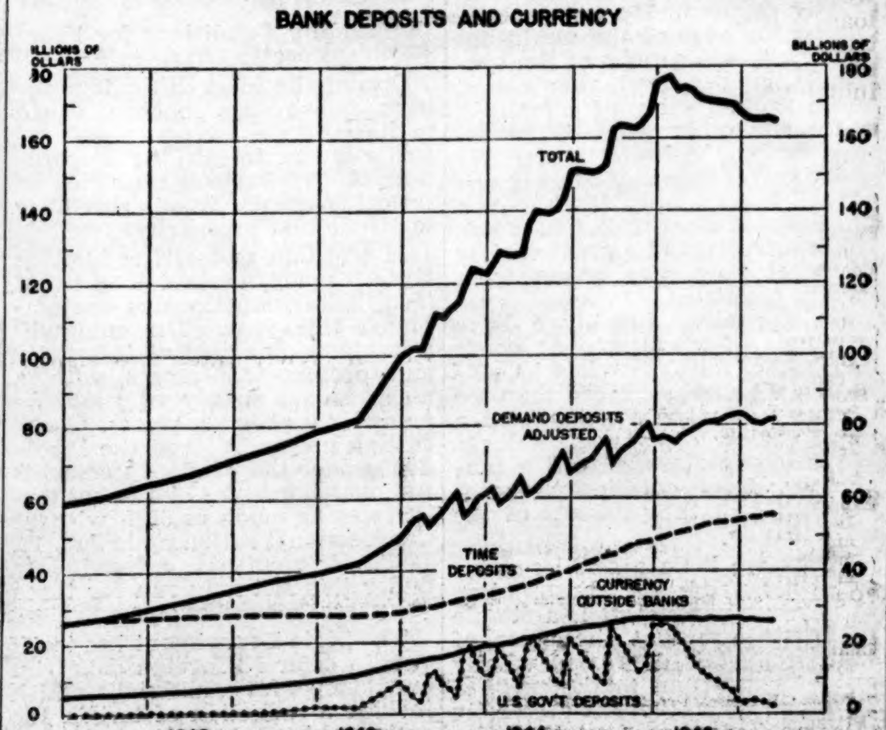
The effect of the retirement program on bank reserves was conditioned by the distribution of holdings of maturing issues among

CASH INCOME AND OUTGO OF THE U. S. TREASURY



Treasury Department data. Cash income and outgo data do not agree with budgetary figures, as shown in the Daily Treasury Statement; for explanation of the differences see Treasury Bulletin for February, 1939. Latest figures, for second quarter of 1947, are partly estimated by Federal Reserve.

BANK DEPOSITS AND CURRENCY



Figures are partly estimated. Deposits are for all banks in United States. Demand deposits adjusted exclude U. S. Government and interbank deposits and items in process of collection. Time deposits include deposits in the Postal Savings System and in mutual savings banks. Figures are for June and December, 1939-1942; end of month, 1943-1946; last Wednesday of month, beginning 1947; figures for 1947 are preliminary. Latest figures are for May, 1947.

Federal Reserve Banks, commercial banks, and nonbank investors, and by the source of funds. In general the effect was to exercise some drain on bank reserves through the retirement of Reserve System holdings and to increase required reserves slightly through the retirement of nonbank holdings.

Retirement of issues held by commercial banks, about $16 billions out of the total of $31 billions retired, had only a minor effect on the reserve position of banks. Total reserves were unaffected and the effect on the level of required reserves was slight. Retirement of bank-held debt out of current budget surplus tended to reduce privately held deposits and to lower required reserves. The bulk of the redemption payments, however, was financed out of accumulated war loan deposits; the resulting reduction in these deposits did not lower required reserves because under wartime legislation war loan deposits were exempted from reserve requirements. The provision for exempting warloan deposits from reserve requirements expired on July 1, but such deposits at that time had been reduced to below $1 billion. Nevertheless, retirement of debt held by commercial banks exerted some pressures upon bank reserves as a result of the shifting of funds between individual banks which accompanied the retirement process. In recent months, moreover, calls on war loan deposits have been timed so as to exert some temporary pressure upon the reserve position of commercial banks.

The restrictive effects of the retirement program were greatest where the maturing debt was held by the Federal Reserve Banks. As shown in an earlier table, total retirement of Federal Reserve held debt from February 1946 through June 1947, amounted to over $6 billions and resulted in a direct drain on commercial bank reserves of this amount. Since April of this year such retirement has been given special emphasis through a program of retiring Treasury bills, which are largely held by the Reserve System. About $400 millions of bills were retired in April, $600 millions during May and $200 millions in June.

About $9 billions of retirement payments were on matured issues held by nonbank investors. To the extent that such payments were financed by draft on war loan deposits, they resulted in a transfer of reserve exempt Treasury balances to deposits held by individuals and businesses which

Factors in Expansion and Contraction of Deposits at Commercial Banks
(In billions of dollars)

Factors of change in deposits—	Mar. 1-Dec. 31, 1946	Jan. 1-June 30, 1947	Mar. 1, 1946 June 30, 1947
Contractive factors:			
Retirem't of U. S. Govt. securit's—			
Held by Reserve Banks	4.6	2.0	6.6
Held by commercial banks	12.8	2.9	15.7
Sales of U. S. Govt. securs. by banks to other investors	.7	.6	1.3
Total	18.1	5.5	23.6
Expanse factors:			
Increase in loans and other investments of commercial banks	5.4	2.6	8.0
*Other factors, net	.4	1.3	1.7
Total	5.8	3.9	9.7
Changes in deposits, total	—12.3	—1.6	—13.9
†Treasury depos.	—21.9	—1.6	—23.5
Private deposits, total	+ 9.6	---	+ 9.6
Demand deposits, adjusted	+ 6.9	—1.0	+ 5.9
Time deposits	+ 2.7	+1.0	+ 3.7

*Includes among other factors changes in monetary gold stock, Treasury currency, currency in circulation, bank capital, and Treasury deposits with Federal Reserve Banks.

†Excluding Treasury deposits with Federal Reserve Banks.

NOTE—Factors of contraction and expansion are partly estimated.

are subject to reserve requirements. Hence, they added to required reserves.

At the same time the shift from war loan to private deposits released short-term government securities that previously had been held as secondary reserves in anticipation of the withdrawal of war loan deposits. For example, at the end of February 1946 bank holdings of securities maturing or callable in less than one year exceeded war loan deposits by $10 billions and this excess amounted to 13% of demand deposits held by individuals and businesses. By the end of April 1947 this ratio had increased to 18%.

In the course of the retirement program commercial banks faced with a drain on their reserves found it necessary to obtain reserves from other sources. This replenishing was accomplished largely through sales of government securities, and bills and certificates were purchased in the market by the Reserve System in accordance with the policy of maintaining yields on government securities at established levels. These market purchases by the Federal Reserve for the period as a whole came close to the volume of cash redemptions at the Federal Reserve Banks and thus largely offset the tightening effects of the retirement program. To meet an increased demand for loans, moreover, banks obtained additional reserves through the sale of short-term government securities. Accordingly, commercial bank sales of securities from February through December of 1946 were sufficient not only to recover funds lost from the retirement of Federal Reserve held debt, but also to form the basis for an exceptionally large expansion of loans.

Although reserves were readily supplied through Federal Reserve purchases, some tightening effect remained. The pressure on commercial banks to sell short-term securities to obtain reserves somewhat reduced their inclination to sell additional government securities for the purpose of purchasing longer-term issues in the market.

During the first six months of 1947 banks as a group continued to sell government securities to the Federal Reserve, but less continuously. As shown in a preceding table, funds thus obtained fell substantially short of the loss of reserves due to the retirement of Federal Reserve held debt. The remaining loss of funds was made up from other sources—mostly gold inflow, which has been a significant factor during recent months, and reduction of currency in circulation. Also, the shrinkage in demand deposits over this period resulted in some reduction in required reserves.

Money Rates and Bond Yields

The debt retirement program resulted in the removal of some of the factors bringing about declines in long-term interest rates, but did not produce any appreciable rise in money rates. No significant tightening was possible as the 12-month certificate rate continued to be held at ⅞% and the posted buying rate and repurchase option on Treasury bills was retained at ⅜%. In this way, an abundant supply of low cost funds remained at the disposal of commercial banks and any tightening effect of the retirement program on the money market was limited.

In the spring and summer of 1946, following elimination of the preferential discount rate on advances to member banks secured by government obligations and accompanying the retirement program, there were upward adjustments in rates charged by commercial banks on loans secured by government securities, on loans to brokers, and on bankers' acceptances. Since then money market rates on commercial credit have changed very little. Rates on short-term Treasury certificates fluctuated slightly in accordance with temporary variations in the reserve position of banks and variations in nonbank demand.

In the spring of 1946, following a sharp decline after the close of the Victory Loan Drive, yields on long-term Treasury bonds were lower than at any previous time. Subsequently, yields rose through the third quarter of 1946 and decreased slightly thereafter. Long-term bond yields, while above the very low level of March 1946, have remained lower than at any time prior to that year. In 1947 there has been a narrowing in the spread between yields on restricted and unrestricted issues of comparable maturity.

The sharp decline in bond yields in the spring of 1946 was caused by heavy bank and nonbank demand. Purchases of bonds were induced in large part by the higher yield that could be obtained from longer-term issues, especially in view of the premiums that became available as these issues approached maturity while the short-term interest rates were maintained at a low level. Anticipation of a further decline in long-term rates was also a factor in encouraging investment in longer-term maturities. Following the inauguration of the debt retirement program and the elimination of the preferential discount rate, anticipations of further declines in interest rates changed and yields rose.

Late in 1946, Treasury bond yields again became subject to downward pressure which continued into 1947. Sales of Treasury bonds by corporations declined, and the supply of new corporate issues being offered decreased early in the year. The demand by insurance companies and mutual savings banks for long-term bonds became more insistent. This did not reflect any large increase in available funds but rather a change in investment attitude. Throughout the winter, commercial banks continued a cautious attitude toward investment in longer-term Treasury issues, but during more recent months there has again been an expansion in bond holdings. Reductions in earnings due to debt retirement and increased costs, a growing tendency to discount the possibility of rising interest rates, and other factors encouraged banks to lengthen their portfolios.

As against these factors of increasing demand, the pressure on yields was relieved during recent months through the sale of Treasury bonds for account of government agencies and trust funds amounting to about $800 millions by June 30. These sales have supported the level of long-term yields, which otherwise might have dropped substantially, and in recent weeks the prices of restricted bonds have declined slightly. Further developments will depend on commercial bank demand, the Treasury's refunding program, the possibility of continued sales for Treasury account, and the supply of new securities offered in the market by corporations, State and local governments, and the International Bank.

Refunding Program

With the Treasury balance at or close to a working minimum, debt reduction in the future will have to be financed out of current Treasury surplus, although some retirement of marketable obligations, particularly of those held by banks, can be effected through sale of nonmarketable securities to nonbank investors. While the budget outlook remains uncertain, it is evident that future debt retirement will be at a much slower rate than during the past 16 months and that available funds will be small relative to the large volume of debt that will mature.

On the basis of the expenditure total recommended in the President's Budget and assuming that present tax rates and a high level of income will continue throughout the current fiscal year, it may be estimated that the budget will show a surplus of about $3 billions and that there will be an excess of cash income over cash outgo of more than $5 billions, which will be available for retirement of marketable debt. Correspondingly larger amounts may become available should the expenditure total be reduced below the budget recommendation. On the other hand, available funds might well be less if there should be an expansion of expenditures, if taxable income should decline sharply, or if tax rates should be reduced in the course of the year.

Such funds as become available will be concentrated largely in the first quarter of 1948, when seasonally high tax receipts flow into the Treasury. Little or no funds will be available in the second half of 1947 or in the second quarter of 1948; but there are large maturities in both of these periods which will have to be refunded.

Total maturities other than bills during the fiscal year 1948 will amount to $36.6 billions, of which about $11 billions mature in the third quarter of 1947 and a slightly larger amount in the first quarter of 1948. As shown in the table, the total includes $25.3 billions of certificates, $4.4 billions of Treasury notes, and $6.9 billions of Treasury bonds. Nearly two-thirds of the maturing issues are held by commercial banks and Federal Reserve Banks combined. Commercial banks hold about 70% of the maturing bonds.

The present composition of the public debt and its distribution by types of holders will be an important conditioning factor in the refunding program. The accompanying table shows ownership of public marketable securities by type of issues and by maturity distribution, as well as changes since the beginning of the war. The largest part of the wartime increase in the outstanding public debt was in longer-term securities—that is, in Treasury bonds—and the next largest was in one-year certificates. Commercial banks absorbed about one-third of the total increase in Treasury bonds outstanding, with practically the entire amount in issues due or callable within 10 years. Bank purchases of bonds included new issues bought in the early years of the war, as well as substantial amounts of outstanding issues bought in the early years of the war, as well as substantial amounts of outstanding issues bought in the market, particularly in later years.

Ownership of United States Government Marketable Public Securities Maturing or Callable in Fiscal Year 1948
(In billions of dollars)

Type of issue and quarter due or callable—	Total	Held by— Federal Reserve banks	Commercial banks	Other investors
Type of issue:				
Certificates	25.3	6.2	9.5	9.6
Notes	4.4	.1	2.5	1.8
Bonds	6.9	.2	4.7	2.0
Total	36.6	6.5	16.7	13.4
Due or callable:				
1947, July Sep.	10.9	1.9	5.0	4.0
Oct.-Dec.	7.9	.8	3.1	4.0
1948, Jan.-Mar.	11.6	3.1	5.4	3.1
Apr.-June	6.2	.7	3.2	2.3

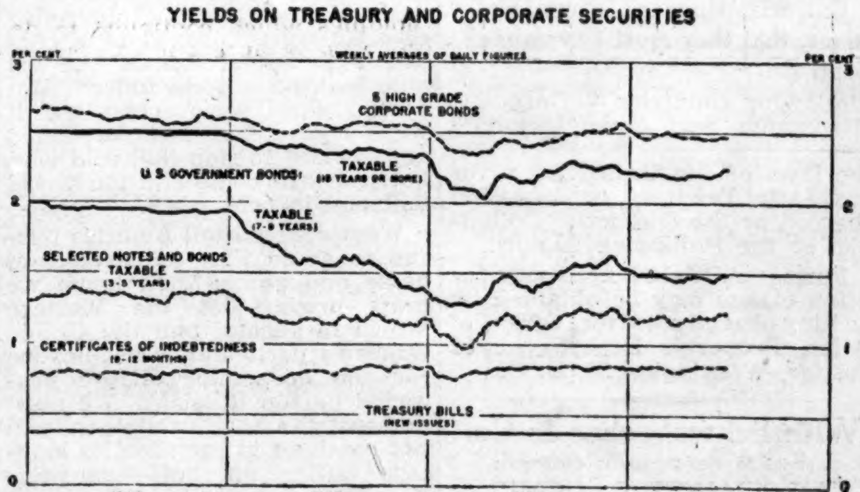
NOTE—Figures represent par value and exclude Treasury bills, which are held almost entirely by the Federal Reserve System. Holdings of commercial banks are totals of holdings of individual issues maturing or callable in fiscal year 1948 as reported in Treasury Survey of Ownership of U. S. Government securities for Apr. 30, 1947. Holdings of Federal Banks are as of June 30, 1947.

About half of the wartime increase in certificates was absorbed by commercial banks and the remainder was divided between Federal Reserve Banks and nonbank investors. Treasury notes, similarly, were absorbed largely by commercial banks. Treasury bills, which had served as an effective short-term market instrument, especially during the early stages of war finance, drifted almost entirely into the Federal Reserve Banks and have ceased to be traded actively in the market. The recent action to discontinue the posted buying rate and repurchase option is designed to reinstate the bill as a market instrument.

Since the beginning of the retirement program in March, 1946, extensive retirement of maturing certificates and notes resulted in a sharp reduction in the share of total marketable securities held by commercial banks. The present distribution of public debt holdings is characterized by the fact that the Federal Reserve Bank holdings are almost entirely in the group maturing or callable within one year, while commercial bank holdings are mostly in the maturity groups due or callable within 10 years with some concentration in the one-to five-year group. The bulk of nonbank investment is in the over-ten-year range, which is almost entirely composed of bank restricted issues. Total nonbank holdings of issues eligible for bank purchase in all groups amount to more than $30 billions. Nearly all of this is due or callable in less than 10 years.

The manner in which the maturing issues are refunded will have important bearing upon the cost of the public debt, outlets for various investor groups, and the pattern of rates and yields. A refunding program will have to be developed during the next 12 months that will preserve the taxpayers' interest in maintaining a low level of interest cost, provide the Treasury with the necessary funds, and meet the legitimate investment needs of various investor groups. In addition, the refunding program should facilitate the adoption of credit policies designed to restrict excessive bank credit expansion and at the same time maintain an orderly market for government securities.

YIELDS ON TREASURY AND CORPORATE SECURITIES



For Treasury bills, rate is average discount on new issue offered during week. In general 3-to-5-year Treasury securities are represented by Treasury notes maturing within that range; however, selected issues of notes or bonds were substituted during periods when they were considered more representative. Latest figures are for week ended June 28, 1947.

Securities Salesman's Corner

By JOHN DUTTON

Sometime when you have an opportunity to discuss "income" with a client or a prospective customer try this out. Instead of talking about four, five or six percent (whatever may be the yield on the security you are offering) convert an arbitrary fixed principal sum into the amount of dollars of monthly income such a fund will produce when invested in said security. For example, six percent on $10,000 is $50 of monthly income.

The investor client who is primarily interested in the return he will obtain from his investments, rather than the amount of capital appreciation which may accrue from speculation, is the most desirable type of customer. Market fluctuations do not excite him. When security markets are high he is usually a good seller and when they are low he doesn't come around with a long face and blame you for all the ills which have befallen the world in general. His principal interest in his securities is that he receives those dividend checks when they are due. This investor is the principal source of new leads. Speculators rarely will go out of their way to recommend your services but investors will introduce you to new clients providing you have done a good job and deserve their confidence. The average American security buyer has been over stressing liquidity and capital appreciation ever since the first World War. He has had very little leadership from the investment fraternity in introducing him to the higher art of long-term investment which has been practiced by financially literate Europeans for almost a century and a half.

In order to be able to sell "income" you have to think in terms of what a specific sum of money will produce. After all just what sort of reaction do you receive when you hear the words "six percent"? You think of statistics, of abstract mathematical equations, of something technical, do you not? What is there in such a phrase that has any suggestion of value that can help you convey a constructive idea to a prospective investor? But that is the way we have been talking in the securities business ever since I can remember. "Buy this Mr. Investor and you will get six percent"! "So what," thinks Mr. Investor, "that is nothing so remarkable. A lot of investments have paid six percent and some of them have gone up the flue too." You can't eat a percent, or pay your rent with it, but with SO MANY DOLLARS A MONTH OF INCOME you can do it. That is something anyone can understand.

So why not say something like this to your next investor prospect? "Sometimes we all take things for granted, even the percentage of income we receive from our investments. When we think of four percent it doesn't mean much to us but if we start with an arbitrary principal amount, such as for example $20,000, and we determine the income we can obtain at four percent it amounts to about $66 per month. Now if it is possible to increase that four percent to let us say six percent (and still maintain a high degree of safety of principal) that $20,000 can be increased as far as its productive value is concerned to do the same work as $30,000 would accomplish at four percent, or an equivalent income of $100 per month." From this starting point you can go on and demonstrate how you have been able to build up investment portfolios that pay more and how other investors have been receiving sound advice and suggestions from your firm.

This type of solicitation may sound over-simplified and academic. But haven't we had too much fancy talk in this business about averages, price ratios, economic dislocations, times-earnings figures and statistics galore? Some years ago I wrote in one of the first columns which appeared in "The Securities Salesman's Corner" in the "Chronicle," that we securities salesmen could take a leaf out of the life insurance salesman's book. That still holds true. The life insurance salesman who knows his business doesn't sell STATISTICS. He sells security in your old age, peace of mind, contentment, college educations for your kids, and even makes it pleasant to pay the undertaker. Can't we do a bit more of this kind of selling in the securities business? Remember, we too have something very attractive to offer. Liquidity, freedom from care, steady income now while you are living, peace of mind that a portfolio of income paying good investments provides, and of course once in a while it is alright to try and buy something that is cheap and make a profit out of price appreciation. But why not talk about these other attractive things which we are selling rather than constantly harping on market appreciation? The best clients are those who are coupon clippers and check cashers, not free riders and quotation chasers.

Sets Final Date for Filing Claims by Bondholders Of Enemy Nations

Foreign Bondholders Protective Council notifies holders of Dollar Bonds of Germany, Austria, Italy, Bulgaria, Hungary, Roumania, and Japan, including their sub-divisions, that they must file claims with Alien Property Office before Sept. 2.

Holders of Dollar Bonds of the following countries — Germany, Austria, Italy, Bulgaria, Hungary, Roumania, and Japan including their political subdivisions, and corporations with government guarantees, may wish to consider filing claims with the Office of Alien Property *before Sept. 2, 1947*, especially in view of the statements made earlier this year by the Attorney General that the claims of American creditors against enemy property can not be considered unless filed by that date.

The Office of Alien Property Custodian, Washington, D. C., has indicated that debt claims may be filed by (1) citizens of the United States or the Philippine Islands, (2) residents of the United States since the beginning of the war, or (3) corporations organized under the laws of the United States or any State, Territory, or possession thereof, or the District of Columbia, or the Philippine Islands.

Forms (APC-1C) necessary for filing claims may be obtained by writing directly to the Office of Alien Property, Department of Justice, Washington 25, D. C.

With Schwabacher & Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — George E. Carey has become affiliated with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

We Are Seeking Peace With Justice

(Continued from page 10)

sive and pragmatic argument which ran like this: "You couldn't get a treaty through the U. S. Senate that didn't give this country absolute veto power. Russia is even more insistent on her veto right and anyway if any of the big nations didn't have the right to veto a proposed action by the Security Council, it wouldn't make a practical difference because War would result anyway."

No Progress Toward Atomic Control

And so, the Charter was ratified in July, 1945. And then in Hiroshima on Aug. 6, an event occurred which basically changed the relationships of all states, yes, all human institutions. Some of my friends have bemoaned the fact that the Assembly in San Francisco did not know of the existence of atomic bombs and that if it had, we would have had a more effective U. N. Charter. That thought is based on the rational belief that a demonstration of a power sufficient to destroy nations would be so compelling that all men would immediately go about making sure that that force should never be used destructively. But alas, five atomic bombs were detonated after the San Francisco meeting—one, the test bomb at Alamagordo; two, in Japan; and two more for test purposes before the designated representatives of the powers at Bikini; and today we are not—as I see it—one bit closer to agreement on atomic control than we were a year ago. Please note that we understood that no right of veto could exist in an atomic control treaty. The Russians on the other hand have tenaciously held to the veto.

Over 13 months have gone by since our distinguished delegate opened the conference by declaring that we were facing a contest between the quick and the dead. It would seem to be obvious that up to this point that contest does not augur well for the quick.

And while this most distressing lack of progress is being reported from the United Nations Control Commission, we are witnessing Europe trembling in the balance. Another Winter without plan or direction will result in Europe's complete disintegration. We now are fully aware that the death of order and a free society brings to the burial rites as gladsome heirs the communist associates of Moscow who are ever ready to participate in the spreading of Russia's influence and power.

Cannot Afford to Drift

It is of the essence of our chance for safety that America should not afford the luxury of drifting. It is not how we wish things to be that must dictate our policy but rather the facts, the objective truth. Reality must be served if we are to survive.

Mr. Baruch said the other day that we were engaged in a cold war with Soviet Russia. An apt and descriptive term indeed. But I say in all seriousness that if ways and means are not found and devised to stop that cold war, hot war will come and the world will end in cold ashes.

What course shall America pursue to avoid that catastrophe at home and abroad? At home we must prove that the Western World in general and the United States in particular is not headed for the economic collapse predicted by the Russians. We must demonstrate that capitalism will not continue to sacrifice its long-term welfare for short-term profits. We must use our every resource to prevent unemployment and depression because Russia believes that she will have no trouble in organizing the world including ourselves if we go in the slough of a deep depression.

We must reconcile ourselves to the sacrifices that will be necessary to keep America strong.

We must do our level best to guarantee the civil rights of all our citizens. We must guarantee the right of free competition without which enterprisers cannot remain free.

We must see to it that there is a just division of the burden of taxation. We must see to it that those who bore the heat of the battle for our survival are not forgotten. We must, in short, demonstrate to the world that here in this land of ours we shall have a people well fed, well clothed and well housed.

Must Aid Other Nations

But essential as all this is, by itself, it will not insure peace with justice. We shall have to go beyond our frontiers. We shall have, for a time, to become our less fortunate brothers' keeper.

Even now our prayers are with the statesmen of Western Europe who are attempting with might and main to draw up and agree on a common course of action that will lift Europe from her back and set her on the road to vigorous life in a free society. Sooner or later, something may have to be done for Asia. We shall soon know whether Europe's statesmen are equal to the task foreseen in the Marshall Plan.

But in fixing the terms of our help, our statesmen will bear a heavy burden of responsibility. I realize that it is especially unpopular just now to talk of tying political strings to our material help. Yet as I see it, we must do just that.

After the last election, it was fashionable to declare that our foreign and domestic policies were to be kept in separate lobes of the brain. The right hand of domestic policy was to act in full independence of the left hand of international policy. Utter nonsense, of course. It cannot be done.

Just such utter nonsense is the belief that we can or should endorse a plan for the economic integration and recovery even of western Europe without carefully appraising the political consequences of that integration.

On Horns of Dilemma

I argue that we are, by way of speaking, on the horns of a dilemma.

On the one hand, if we succeed in setting Europe on its feet and so make her more productive she will—in the absence of agreement to the contrary—ship her finished factory products to the East in return for food and gold from Russia. Those factory products will inevitably hasten the equipment of Russia with weapons of mass destruction including the atomic bomb.

Given a continued adherence to her past course, only one result can be anticipated—more aggression. The historic Marxian theory that security for communism in any one nation—for instance, now in Russia—can be assured only by a world won for communism is now apparently Russian policy. Where it leads we know only too well.

The other horn of the dilemma is even sharper. If we do not assist Western Europe to pull herself together, we will abandon her to the tender mercies of the masters of the Kremlin. We shall expose ourselves to the threat which we gave over $300 billions of dollars and 300,000 infinitely more precious human lives to prevent—that threat is the domination of Eurasia by a totalitarian power. Quick then would be the marshalling of the machinery and know-how for atomic bomb factories whose product might be rained down upon us if we did not submit. Since we should not submit, atomic war would follow.

How can we escape this disastrous choice? My suggestion is as follows:

We have called for an economic inventory of Europe. We are busy making our own to ascertain how much we can do. Russia has turned her back on the whole business. Let us once again demonstrate the type of leadership the world has come to expect from America—the moral one. Not only the American people but the overwhelming majority of the peoples of the world would respond to an appeal at this time by the United States—an appeal to conscience and intelligence. Let us ask for a moratorium on world tension. Let us follow up Secretary Marshall's proposal for a European inventory of economic needs with a proposal for a world inventory of security needs! Let the United States propose through the United Nations that all countries be invited to state their security requirements. Let us ask each nation what it considers, from the vantage point of its own security, to be the requirements of a workable peace.

Such lists might be many and various. But surely they would contain certain things in common—reasonable access to economic supplies, freedom from political or economical interference from outside, a measure of international trade, some advance toward internationally recognized civil liberties—in short, the substitution of a live and growing international law for the present rule of force in anarchy!

It is to be hoped that the "security inventories," when totaled up, would show general agreement on the great principle that world peace cannot be created and maintained without adequate machinery to enforce peace. It is to be hoped that all nations will gladly accept something that goes beyond the demonstrably inadequate mechanism which is all they have now.

Should Act Without Russia

In this way, the burning question of peace with justice can be put fully and openly to Russia. In this way we can bolster our own position before the bar of world public opinion—especially in the critical Far Eastern area where our motives are most in doubt. A statement by the United States of our own "security inventory" given to the United Nations should create the atmosphere in which an American appeal for world peace and for adequate machinery would not fall on deaf ears.

This should be done in the next few weeks so that this proposal, this invent may be reported to the United Nations General Assembly when it meets this Fall, and there discussed and debated thoroughly before a decision is reached.

But if—despite all our efforts to emphasize the good will in which our proposals for common security are made—Russia still refuses, then there may be no choice but to go ahead without Russia. Then we might have to proceed in a strengthened UN with as many other countries as are willing to come along with us. The door for future membership can be kept open. It should be the happy duty of the UN to prove in its day-to-day operations that its preponderant power constitutes no threat to countries outside and that the benefits of participation will become dramatically apparent.

Let us hope that there is yet time to reverse the present perilous drift. Let us hope that there is yet time to prove that the human race is worth God's great gift of life.

Republican Congress Kept Pledges

(Continued from page 2)

ent, the tax relief demanded and so well deserved by the people.

Twice we passed a tax bill, a fair bill that gave the largest percentage of reductions to the "little fellow"; twice he vetoed that bill asserting that for people to control their own money is inflationary, but for the government to take it from them and spend it is not.

It will be a disastrous error if we permit one man to place his judgment above the will of an overwhelming majority of the people and of Congress.

Congress passed a fair and just labor-management relations act. Yielding to pressure of radical politicians and his left-wing friends, the President vetoed that bill and put out a demagogic smoke-screen of misrepresentations and epithets in an effort to discredit a measure that the overwhelming majority of the members of Congress, Republicans and Democrats alike, voted for. We passed that law over the President's veto. Now the truth about that law is catching up with the falsehoods.

That law is doing exactly what Congress intended it to do: protect the rights of working men and women against abuse from any source; equalize collective bargaining and make our system of collective bargaining work, and enable labor organizations to enjoy healthy growth. To say that nearly three-fourths of the members of Congress want to enslave labor is sheer nonsense.

The President said the law is unworkable. Any law would be unworkable if people opposed to it were named to enforce it. But this law is workable. We shall not permit maladministration to sabotage it. Already, reports of the Federal Bureau of Labor Statistics show that strikes have grown less, and many labor unions have found the law workable.

Government Expenditures

On Government expenditures generally, Mr. Truman repeatedly stated publicly that his budget estimates—four times larger than the cost of government in peacetime 1939—could not and must not be cut a dime.

His New Deal propaganda machine worked overtime opposing every proposed budget cut; he sent a parade of bureaucrats before Committees of Congress to argue against the cuts; he marshalled every available vote in favor of his spend and spend program.

We said the budget could be cut and that it would be cut. And we cut it. But keep this constantly in mind: We cut with care. We have not interfered with any necessary or desirable government function. We have provided fully for national defense, for care and rehabilitation of our veterans, for reclamation, flood control, and soil conservation. What we have done is to cut out waste and extravagance, all to the advantage of the American taxpayer.

We reduced the President's thirty-seven billion six hundred million dollar budget by more than three billion dollars, and reclaimed another billion that earlier Congresses had authorized. The solid fact is that this is the biggest reduction in a Presidential budget that any Congress ever made. Never before has there been a Congress that cut a Presidential budget so deeply as did the present economy-minded Congress.

By Jan. 1, 1948, the Federal payroll will have been reduced by more than 200,000 persons whose services we no longer need. It will be reduced still more during the next session, for we have just begun to dig into the sprawling, tax-eating bureaucracy.

Now regarding the armed forces: For years Democrat Presidents and Democrat Congresses talked, but merely talked, about putting the army, navy and air force under one head. Action was long over-due. We passed the new law that unifies the armed forces under a single Secretary of Defense.

His responsibility is to co-ordinate the functions of three coequal branches—Army, Navy and Air Force. And we appropriated ample funds, with emphasis upon research and new weapons and planes, to weld these departments into a modernized, effective national defense establishment. We will get a dollar's worth of defense for every dollar we spend.

Veterans' legislation: There has been loose talk in Democrat circles that President Truman was eager to sign a lot of veterans' legislation. Democrats were vocal during the closing hours of the session spreading that falsehood.

Now this is what President Truman said to the Congress on veterans' legislation in his message on the State of the Union last January 6:

"Except for minor adjustments, I believe that our program of benefits for veterans is now complete."

General Omar Bradley, Director of the Veterans' Administration, adhered to that position in scores of reports on pending bills to the House Veterans' Affairs Committee.

In a report as recent as July 18, General Bradley opposed the bill to increase subsistence allowances for veterans pursuing courses under the Servicemen's Act of 1944. He said:

"This bill could not be considered to be in accord with the President's program."

That meant the President was against the bill and likely would veto it if Congress passed it. General Bradley used similar language in reports on scores of other bills.

However, the Republican Congress said that the veterans' program was NOT complete, and we sent to the President bills that said so. And we did not confine our consideration to veterans of World War II. We passed bills to equalize with present day costs the pensions of aged veterans of the Civil, Spanish-American and Indian wars, and the allowances of their dependents.

The last Congress passed a law to give enlisted men of World War II, not cash but five-year bonds as their terminal leave pay.

The Republican Party at that time favored paying these men and women in cash, as the government did their officers, but the Administration objected. Over the opposition of the Treasury Department, speaking for the President, the present Republican Congress now has authorized paying all our veterans in cash. Knowing Congress would override any veto, the President signed the bill.

Other Legislation

Across the country there is a sigh of relief that we now have a Congress that is dedicated to promoting our American way of life. This better feeling set in immediately after the November elections, and as the Republican Congress delivered on its pledges there resulted a surplus in the Federal Treasury — the first in many years — employment at an all-time high, and a semblance of peace on the labor-management front.

We froze the social security payroll tax at 1% until 1950, and thereby saved the people of our country two billion dollars a year, half of which would have come out of the pockets of working men and women.

We have passed the Presidential succession act, making the Speaker of the House of Representatives first in line for the Presidency should the President, unfortunately, not complete his term.

We submitted to the States a proposed Constitutional amendment to limit Presidents to two terms. Already 18 states have ratified that proposal.

The 80th Congress initiated and passed the act to smash the portal-to-portal pay suits racket that threatened to bankrupt industries and to throw thousands of men and women out of work.

We established a National Science Foundation for research in pure science, and set up the Atomic Energy Control Commission.

Our Republican campaign to drive Communists and other disloyal persons out of the Truman Administration is beginning to bear fruit. We will complete remedial legislation during the next session.

Your present Congress streamlined the legislative machinery, though it set us back a month in getting our legislation under way. We set about overhauling the Administrative branch of the government, which consists of layer upon layer of boards, bureaus and commissions that get in each other's way, duplicate each other's work, and eat up your money.

Foreign Policy

On foreign affairs, the 80th Congress cooperated with the Executive branch on every measure that we deemed to be sound and in the interest of our country. We made loans and generous gifts for relief and recovery of war-crippled countries; joined the International Refugee Organization; appropriated for the United Nations, and authorized an American trusteeship for former Japanese mandated islands in the Pacific.

We Republicans are not going along blindly on foreign policy. We are doing our own thinking on the problems in fulfilling our responsibilities. There must be complete cooperation and consultation between the Executive and Legislative branches on policies before they are announced.

We are mindful of the Constitutional provision that lodges in the Executive the duty to negotiate treaties. But we are mindful also of the fact that all treaties are subject to ratification by the Senate.

Now our problems in foreign affairs are turning to questions of finance and economic matters. That means that the Executive branch must recognize the House of Representatives, where tariff and money bills originate, as a full-fledged partner in foreign affairs.

It is to enable the House to meet its responsibilities, and to reach its own conclusions on foreign policy, that the House is sending to Europe this Summer a committee to study first-hand the needs of striken nations, and how and to what extent our country can help them.

A part of the problem of foreign relief is the impact upon our economy of exporting huge amounts of food, machinery, building materials and of countless other items out of our already short supplies. Ill-timed and reckless government buying for shipment abroad, with too little regard for the needs of our own people, or even for the needs of those we wish to help, has been an important factor in keeping the cost of living in our country high.

So, in appraising the work of the 80th Congress, you see the Republican Party delivers. During the next session, our united party will continue doing the job now so well advanced.

And then we shall move on to the 1948 elections, when the people will elect a Republican President who will cooperate with a Republican Congress to finish the tasks that now confront us and to deal with new problems with fairness, sound sense and foresight.

No! This Was Not a "Do Nothing" Session of Congress

(Continued from first page)

many years the Washington correspondents have been so accustomed to listing Congressional accomplishments by what was passed, that it is difficult for them now to change and list these accomplishments on things which did not pass.

It is apparently quite difficult for the correspondents to realize that the voters made a very definite return to the right last Nov. 5. They have apparently not yet realized that what has happened has been to "stop" the so-called social legislation. It would have been a real story had the Congress passed any of the pending bills by such men as Pepper, Kilgore or Murray. That their bills were not passed is not a story now. That these bills were dead was a story last Nov. 5, but not now.

Nevertheless, a rather general newspaper treatment now seems to be that the failure of Congress to pass measures of this kind is a lack of accomplishment.

Congress is given due credit for having passed the Taft-Hartley labor bill, the bill outlawing portal-to-portal wage suits and the two tax reduction bills. That, in the eyes of the correspondents, apparenty constitutes accomplishment. Congress acted. It was positive action to do these things.

Just why would it be expected that a Congress which did these things would also pass such as the Pepper, Murray and Kilgore measures is difficult to understand.

However, read your newspapers and see if the story isn't presented as at least a part failure.

The funny thing about it is that the Republicans themselves, under the drubbing they take in the Eastern press, seem to be on the defensive about their record. They are prone to explain their lack of "further accomplishment" by saying they were confronted with a reorganization of Congress and that it took several weeks to get the new committee machinery working. This could be frightening because it implies that if they had had the time they would have passed many more bills. This observer thinks they can very well stand on their record.

For the first time in 14 years there was the spectacle of the legislative body not only not appropriating willy nilly, but cutting the Presidential budget. For the first time we saw a reversal of the spending trend.

It is a fact that they didn't trim the budget as much as they set out to do. The actual trimming amounted to slightly more than \$2 billion which is not the promised \$4½ or \$6 billion but is certainly not to be scoffed at. And Chairman John Taber of House Appropriations, claims that savings altogether were effected totalling close to \$5 billion and I think his claim is justified. Hundreds of millions were saved in recission of funds previously appropriated and in the revision of estimates by many departments after the committee's investigators went to work. Just one example was the case of a supplemental appropriation of \$1.3 billion sought by the Veterans' Bureau. With the economy heat being applied the Budget Bureau itself, cut this down to \$980 million revealing that there had been an amazing lot of water in the original estimates.

The accomplishment of Taber's committee, including such men as Wigglesworth of Massachusetts, Dirksen of Illinois, and Jones of Ohio, becomes all the more remarkable when it is realized they had the executive branch against them. Of opposite political faith, it not only would not cooperate, it declared open warfare. It is the first time in history, as a matter of fact, that Congress has reduced a budget when the President is of a rival party.

The experience of the Republican budget cutters proves inescapably that truly drastic economy will not be effected until we get a Republican President. He would not permit the department heads to go to the country and apply the pressure tactics which they did. Truman encouraged them to do so.

The most flagrant examples were Interior Secretary Krug and the Army and Navy. The cuts effected in the funds of the latter two were quite disappointing. Men who acquired prestige during the war, such as Eisenhower, had a way of looking very grave and "warning" the country against the Republicans' "irresponsibility." It is not without significance that when Eisenhower accepted the presidency of Columbia, he explained that he had wanted to remain chief of staff until the appropriations were passed. In a manner of speaking, he owed it to his fellow brass who will necessarily take demotions when the Army is put on a more even keel. The committee found there were four majors to every second lieutenant in the ground forces and further disproportionate ratios all along the line. But Congressmen can't be expected to stand up against highly prestiged generals "gravely warning" against the background of a disturbed world.

Similarly, Marshall is lending his great prestige to big and better spending abroad. The Republicans are getting quite fed up on it and they are becoming increasingly critical of him. In the past they have eaten out of his hands.

They could scarcely conceal their feeling towards General Bradley, Veterans' Administration head, at the session just closed. His high-handed attitude was pronounced. If Congress didn't like the way he was throwing away money, they could have his job. He never wanted it anyway. That was his attitude.

James Scott Baker Opens Own Firm

Formation of the firm of James S. Baker & Co. as dealers in U. S. Government securities and in state and municipal bonds, with offices at 40 Wall Street, New York City, is announced by James Scott Baker, formerly a Vice-President of Harriman Ripley & Co., Incorporated.

James S. Baker

Joins Byllesby Staff

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Samuel J. Alonge is now with H. M. Byllesby and Company, Incorporated, 135 South La Salle Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market continues to show inability to absorb offerings ahead. Protect long positions with stops.

* * *

Last week this time I was trying to convince a lot of fish off the Coast of Maine that I was boss. Apparently I did do so well they all kept away from me, though they gobbled up all the revolting bait on the hook. Why I bothered to try to catch fish I'll never know. I don't like catching fish—though I have yet to catch one when I don't even like eating them. Golf, now there's a game for you. Those Maine courses around Bar Harbor are a cinch. Take a three to get on the green, then a five to hole out. Yessiree, the courses are a cinch. It's those greens that bothered me.

* * *

Anyway between these so-called sports I glanced at the market and discovered that it didn't look any better in Maine than it did in New York. The same stocks did the same flip-flops and the same people inhabited customers' rooms talking the same language. The only difference was that customers up there wore sport clothes and talked mighty big. They talk big in New York too, but don't wear any sport clothes.

* * *

Last week there was one day when the market looked like it might forge through all that stock just ahead of it and go places. Monday it changed its mind and went back to sleep. At the same time a lot of talk began about the rails threatening to go up and thereby confirm the recent advance in the industrials. This, according to the lads with the slide rules and charts, would mean a resumption of the bull market. All this was quite interesting but no more informative than markets in the past.

Whenever markets tend to dullness the public tries its best to come up with something that will either explain it away, or find something that will give it moral support for the nebulous future. A market letter before me tries to smooth ruffled feathers by advising readers not to worry. "Over a period of time," says the letter, "there may be plenty to worry about; but this does not appear to be the time to worry about it." Now, that is what I call nice and cozy. Use a stretchout of that old cliche, "Don't cross your bridges, etc.," and everything will be lovely.

* * *

In my experience the time to do some tall worrying was when somebody tried to convince me that "there was nothing to worry about." I always preferred to do my worrying alone. I didn't like company. To have a man tell me "What are you complaining about? All you had was such and such stock; look at me. I had ten times as much and my loss is greater," was never a balm for personal losses. If I lost an arm it wouldn't make me feel any better because somebody else lost both arms.

* * *

All this leads back to the stock market and the stocks we are still theoretically long of. They have acted nicely, though no more so than other stocks. The fact that the steel companies will raise their prices is of course no longer news. The various computations about how much more a share these earnings will amount to is now the favorite pastime. The assumption is that the demand will either continue or increase, an assumption I don't go along with.

* * *

In any event both Big Steel and Bethlehem are still in the black and I hope will continue to be so. But I'm not naive enough to rely completely on hope.

* * *

It is possible you have U. S. Steel at 66. It's now about 75½. I suggest you place your stop at 72 and let it ride. Bethlehem came in at 83 and is now about 91. The stop in that one should be 87. So long as these stocks stay above these figures you can hold on. If they break your action should be obvious.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With A. M. Kidder & Co.

Special to THE FINANCIAL CHRONICLE

TAMPA, FLA. — Barnard Prescott, formerly for many years with Thomson & McKinnon, is now with A. M. Kidder & Co., 506 Florida Avenue.

Richard O'Neil With Oscar Kraft & Co.

Richard R. O'Neil

LOS ANGELES, CALIF. — Oscar Kraft & Co., 530 West Sixth Street, announce the appointment of Richard O'Neil as manager of their Trading Department. Mr. O'Neil has been a member of the Security Traders Association of Los Angeles for the past 14 years, and is well known in trading circles throughout the country. He was associated with Fairman & Co. prior to his new position.

J. P. Stevens & Co. Stk. Placed on Mkt. at $34

Morgan Stanley & Co. and Harriman Ripley & Co., Inc., head a nationwide group of 41 investment firms which is offering to the public today (July 31) 200,000 shares of J. P. Stevens & Co., Inc., capital stock at $34 per share. The offering represents a part of the holdings of the estate of Nathaniel Stevens and does not constitute new financing by the company.

Incorporated under Delaware laws in 1923 as the successor to a partnership organized in 1899 by the late John P. Stevens, the company or its predecessors or subsidiaries have been engaged in textile manufacturing since the beginning of power textile manufacturing in this country. Among companies and their subsidiaries acquired through merger as of Aug. 31, 1946, were M. T. Stevens & Sons Co., the successor to a woolen manufacturing business founded by Nathaniel Stevens in North Andover, Mass., in 1813, and Slater Manufacturing Co., Inc., the successor to a cotton manufacturing business founded by Samuel Slater in 1790. The company is one of the largest and most diversified in the textile manufacturing field, producing fabrics in the woolen, worsted, cotton and rayon divisions, and operating 28 mills, of which 9 are located in New England and 19 in the south. The company is also one of the largest agents for the sale of textile products made by other manufacturers.

Cotton and rayon fabrics manufactured by the company are sold in both the grey and finished state for a wide variety of uses in the apparel, upholstery and industrial fields. The company's woolen and worsted fabrics are sold only in the finished state for men's, women's and children's garments and as upholstery fabrics for the automobile trade.

For the period Nov. 1, 1946, to May 3, 1947, the company's net sales amounted to $109,190,726 and net income for that period was $14,995,165.

The company's outstanding capitalization consists of 3,459,988 shares of capital stock. Quarterly cash dividends of 37½ cents per share each were paid on the stock in January and April, 1947, and one of 50 cents per share in July, 1947.

Jesse S. Lockaby Opens

Special to THE FINANCIAL CHRONICLE

MORGANTON, N. C.—Jesse S. Lockaby is conducting his own investment business from offices at 102 Riverside Drive. Mr. Lockaby was formerly Morganton representative for R. S. Dickson & Co., Inc.

Depreciated Dollar Should Mean Higher Stock Prices

(Continued from page 8)

continue to do so for a long time to come. It will influence the number of jobs open, the wages or income people will receive, what and how much they can buy and what their savings will be worth."

Since the dollar size of the debt will never be what it was prewar, it follows likewise that the general price level will never return permanently to its prewar level. Prevailing stock prices, in our opinion, do not by any means fully reflect the extent of the permanent depreciation of the dollar. We know of no place outside of the stock market where the dollar will buy more than it bought in 1936 and 1937—certainly not in commodities or in real estate or even in the London market (an index of London stocks today stands around 160 vs. a 1936 high of about 143).

Making Some Adjustment

It is frequently pointed out that stock prices are presently in historically high area. It is true that few times in history have such prices been as high as they are at present, but if adjustment is made for a 65-cent dollar contrasted with a 100-cent pre-war dollar, the comparable price ranges for the D-J industrial average would be as follows:

	—Price Range in Terms of—			
	100-Cent Dollar		65-Cent Dollar	
	High	Low	High	Low
1935	148	96	228	148
1936	184	143	283	220
1937	194	113	298	174
1938	158	99	243	152
1939	155	121	238	186
1940	152	111	234	171

It is indeed a debatable question as to whether value of the dollar is even the 65 cents computed by the U. S. Bureau of Labor Statistics. Moreover, in the last prewar boom years of 1936 and 1937, when the industrial stock price index reached highs of 184 and 194, respectively, earnings on the stocks in this index were $10.07 and $11.49, respectively, as compared with $13.60 in 1946 and an estimated $16.25 for 1947 and a tentative estimate ranging anywhere from a minimum of around $15 to a maximum of $18-19 for 1948. In other words, Dow-Jones industrial stock prices in 1936 sold as high as 18.5 times 1936 earnings and in 1937 as high as 17 times 1937 earnings, contrasted with a present price equal to about 11.4 times this year's probable earnings.

Depression Not Inevitable, Says Gale F. Johnston

(Continued from page 4)

look like a child's toy. Yet nucelar fission is only one source of future wonders that we developed in wartime. Electronics, synthetics and physio-chemistry have such possibilities that I can only blink my eyes like Rip Van Winkle and see that everything has changed."

Mr. Johnston reminded his hearers that within the lifetime of many of them such scientific toys as electric light, the horseless carriage, the talking machine, the motion picture, the radio, telegraph and telephone, the flying machine had been developed into industries and services that employ millions of men and billions of dollars of capital and create true wealth. Now we have the keys to whole new realms of applied science that stretch farther than we can see. If only we manage properly, we can really make this a Land of Plenty, he said.

One of the first things we must do to manage our economy into firm prosperity is to distribute our $258 billion national debt so it will be a help, not a hindrance, he said. To spread the debt securities and financial security among our people, build up anti-depression insurance, we must sell more U. S. Savings Bonds to more people.

Pointing out that Minnesotans have more than a billion dollars, cash value today, stored up in these bonds, the interest and accrual on which adds $28 million to the liquid assets of the state this year, he compared a savings program to a fish and game conservation program. "To be sure of a steady supply of consumers of your products and wares, you must build up buying power in the form of savings just as your fish hatcheries stock your lakes and streams."

The SEC recently reported that liquid savings of individuals in the first quarter of 1947 were at the lowest rate since 1940, he pointed out. Some $900 million or 64% of the amount added to their savings represented net increase in holdings of U. S. Savings Bonds. While the withdrawal rate in postal and bank savings increased over last year's, the redemption rate on Savings Bonds decreased. The deposit turnover in postal savings was 3%, in savings banks 2% and in Savings Bonds 1%.

In the first half of 1947, Savings Bond sales exceeded $3.8 billion, or 57% of the total for 1946. Sales of E, F and G bonds exceed their redemptions by $1.48 billion. Against a backlog of nearly $31 billion in E bonds, cash-ins were over a quarter of a billion dollars less than E bond sales. Individuals put $3.3 billion into Savings Bonds, about $2 billion of it into E bonds. Total sales since the Victory Loan have now reached $11.5 billion for all Savings Bonds, almost $3 billion above redemptions.

"If the Savings Bond program is that healthy," Mr. Johnston continued, "why am I here to urge you to put your weight behind the Payroll Savings Plan. Simply because we must push it harder, as a vital part of the management of the national debt, for the good of the economy and the good of us all."

In supporting the Savings Bond program, bankers are not altruists but realists, for like business and industrial firms they depend for their long-range prosperity and profit upon the general health of the economy, he said. "Banks issue about 70% of the Savings Bonds sold in peacetime and don't get a penny for it, directly. It pays in public good will and in hard cash, eventually, as it will pay you to support the Payroll Savings Plan.

"Public opinion surveys show that Americans are concerned with economic security as never before. A basic feeling of insecurity is the underlying cause of most labor unrest. We are going to have to provide more security against unemployment and particularly against old age, since the average age of Americans is increasing at such an amazing rate. Which of us would not prefer to accomplish this as far as possible in the American way, through individual thrift? The war is over, but we are still in a grim contest with totalitarianism. To win, we must show the rest of the world that our system gives the average man the most security."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (8/11)
June 26 filed 123,246 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 58,880 shares and four selling stockholders the proceeds from the sale of 64,366 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $2,000. Net proceeds will be used to pay current bank loans and for working capital.

American Broadcasting Co., Inc., N. Y.
June 27, 1946, filed (by amendment June 23, 1947) 33,333 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 30,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31, 1946. The remainder (3,333 shares) will be offered publicly. Price by amendment.

● **American Gold Fields, Portland, Ore.**
July 21 (letter of notification) 150,000 shares of common. **Price**—$1 a share. No underwriting. For equipment suitable for the recovery of gold from placer mining ground.

American Machinery Corp.
Mar. 31 filed 133,000 shares (50c par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes. Issue may be withdrawn.

American Vending Machine Corp., New York
June 30 filed 145,000 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price by amendment. **Proceeds**—Of the total, 120,000 shares are being sold by stockholders and the balance by the company. The company will use proceeds for organizational purposes, which includes the merger of Berlo Vending Co., Philadelphia, and Sanitary Automatic Candy Corp., New York.

American Water Works Co., Inc., N. Y.
March 30, 1946 filed 2,343,105 shs. of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Price to public by amendment.

Armour and Co., Chicago
July 12, 1946, filed 350,000 shares (no par) cumul. first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. George Eastwood, President, in letter to stockholders, Dec. 22, said: "We have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan. In connection with the sale privately of $35,000,000 3½% debentures announced July 17, 1947, George A. Eastwood stated: "The debenture sale permits immediate accomplishment of some of the objective of the refinancing plan which the directors and management contemplated nearly a year ago when the shareholders at a special meeting authorized the issuance of two new classes of preferred stock. These new stocks were designed to carry a lower rate of dividend than the present preferred stocks and the consequent reduction in annual dividend requirements was and still is regarded as a major objective in the best interests of the company and its shareholders. We look forward to the accomplishment of this objective in the near future."

● **Arnold, Hoffman & Co., Inc., Providence, R. I.**
July 22 (letter of notification) 10,000 shares ($20 par) common. **Price**—$23.25 a share. **Underwriting**—Cohu & Torrey, New York. For capital improvements and for working capital.

Atlantic City (N. J.) Electric Co.
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. **Proceeds**—Offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. **Bids**—Bids for the purchase of the stock submitted July 22 were rejected. A joint bid by The First Boston Corp.; Shields & Co.; Drexel & Co., and White, Weld & Co. of $17.68 per share and a joint bid by Dillon, Read & Co. Inc., and Smith, Barney & Co. of $16.30 per share were submitted.

● **Aviation Press, Inc., Tenafly, N. Y. (8/5)**
July 28 (letter of notification) 30,000 shares of common stock (par $2). **Price**—$2 per share. **Underwriter**—None named. To liquidate bank and commercial loans and provide additional working capital.

● **Baltimore Markets Inc. (8/15)**
July 28 (letter of notification) 14,999 shares (par $20) special stock. **Price**—$20 per share. **Underwriter**—None. Increase working capital.

Barium Steel Corp., New York
June 17 filed $3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. **Underwriter** — Name by amendment. Price by amendment. **Proceeds**—For payment of loans and for other corporate purposes.

● **Bell Aircraft Corp., Buffalo, N. Y.**
July 23 (letter of notification) 5,400 shares ($1 par) common, to be offered to certain key employees of the company under an employee's stock purchase plan. To be sold at market. No formal underwriting. Some of the employees may purchase the stock with the intent to resell it.

Bonanza Mines, Inc., San Francisco
June 17 (leter of notification) 65,000 shares (10¢ par) common. **Price**—$1.25 a share. **Underwriting**—A. L. Albee & Co., Inc., Boston. For exploration of mining claims.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brooklyn (N. Y.) Union Gas Co.
May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23, 1946, rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Harriman, Ripley & Co. (jointly). **Bids**—Bids for the purchase of the securities scheduled for May 20 and postponed to June 18 further delayed. It is reported company has abandoned sale of preferred for a construction credit and term loan of $9,000,000 which the company has negotiated with a group of banks.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24, 1946, filed 400,000 shares of common. **Underwriter**—No underwriters. **Offering** — To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21, 1946, filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—Shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Claude Neon, Inc., New York
March 28 filed 226,454 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. **Proceeds**—Towards cost of additional interests in oil leases.

Cohart Refractories Co., Louisville, Ky.
Mar. 28 filed 182,520 shares ($5 par) common. **Underwriters**—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. **Proceeds**—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company. Offering indefinitely postponed.

● **Conlon Bros. Mfg. Co., Chicago**
July 24 (letter of notification) 1,400 shares of 5% preferred (non-cumulative) being offered on behalf of Wm. F. Chiniquy, a director of the company. No underwriting. To be sold at $25 a share.

● **Conlon-Moore Corp., Chicago**
July 25 filed $800,000 10-year first mortgage 4¾% sinking fund bonds. **Underwriters** — Illinois Securities Co., Joliet, Ill., and Mullaney, Ross & Co., Chicago. **Price**—Par. **Proceeds**—To pay off indebtedness and to finance expansion of business. **Business** — Manufacture of household appliances.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9, 1946, filed 300,000 shares ($5 par) common. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada
May 31, 1946, filed 500,000 shares of common (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Detroit Edison Co., Detroit
June 27 filed $60,000,000 of general refunding mortgage bonds, series "I," due 1982. **Underwriting**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Coffin & Burr; Spencer Trask & Co.; Dillon, Read & Co. Inc. **Proceeds**—To redeem outstanding mortgage bonds, series "F," due 1965, to repay bank loans, and for property additions.

● **Dietert Co. (Harry W.), Detroit, Mich.**
July 22 (letter of notification) 5,000 shares ($10 par) common. **Price**—$12 a share. No underwriting. For additional working capital.

Disticraft, Inc., Chicago
May 8 (letter of notification) 15,000 shares Class B common. **Price**—At market. All or part of the securities may be sold through Bennett, Spanier & Co., Chicago, as agent. The shares are being sold on behalf of three officers of the company.

Divco Corp., Detroit
April 30 filed 34,963 shares ($1 par) common. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Price**—By amendment. **Proceeds**—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds.

● **Doman-Frazier Helicopters, Inc. (8/4)**
July 25 (letter of notification) 5,500 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—John Nickerson & Co. Inc. Proceeds to selling stockholder.

Douglas Oil Co. of California
March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of $26 a share. **Underwriters** — Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

Drackett Co., Cincinnati
April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price** — By amendment.

Duraloy Co., Scottdale, Pa.
March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

East Coast Electric Co.
Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered

(Continued on page 34)

NEW ISSUE CALENDAR

(Showing probable date of offering)

July 31, 1947

Thermoid Co.____Common

August 4, 1947

Doman-Frazier Helicopters, Inc.____Common
Gundel (J. B.) & Co Inc.____Cl. A and Cl. B
United States Television Mfg. Corp.____Preferred
Upson Co.____Common

August 5, 1947

Aviation Press, Inc.____Common
Illinois Central RR.____Equip. Tr. Ctfs.
Lerner Stores Corp.____Debentures
Rochester Telephone Corp. (11 a.m.)____Preferred

August 7, 1947

Delaware Lackawanna & Western RR.
Noon ____Equip. Tr. Ctfs.

August 11, 1947

Acme Electric Corp.____Common
Jahn & Ollier Engraving Co.____Common
Manhattan Coil Corp.____Debs., Pref. and Common

August 13, 1947

Potomac Electric Power Co. (11:30 a.m.)__Preferred

August 15, 1947

Baltimore Markets, Inc.____Special Stock

August 27, 1947

San Francisco Bank____Common

(Continued from page 33)

by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

Edelbrew Brewery, Inc., Brooklyn, N. Y.
Dec. 31, 1946, filed 5,000 shares ($100 par) 5% non-cumul. preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Empire Projector Corp., New York
July 1 (letter of notification) 20,000 shares ($10 par) 4½% cumulative convertible preferred and 20,000 shares ($1 par) common. **Price** — $10 a preferred share and $1.315 a common share. **Underwriter**—Philip L. Pritchard. For working capital.

● **Fakes & Co., Fort Worth, Tex.**
July 24 (letter of notification 1,076 shares (no par) common. **Price**—$17.50 a share. No underwriting. For additional working capital.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

● **Finch Telecommunications, Inc., New York**
July 22 (letter of notification) 500 shares ($1 par) capital stock, on behalf of Wm. G. H. Finch, President. **Price** —$5.50 a share. **Underwriter**—Littlefield & Co., Providence, R. I., will act as agent.

Florida Power & Light Co., Miami, Fla.
June 24 filed 150,000 shares of $100 par cumulative preferred. **Underwriters**—Names to be filed by amendment. **Bids**—No bids submitted for purchase of stock which was advertized for sale on July 29. A negotiated sale is now possible.

● **Garrison Mining Co., Seattle, Wash.**
July 24 (letter of notification) 1,076 shares (no par) comcommon. **Price**—20 cents a share. To be sold through officers of the company. For mine exploration and development.

● **General Portland Cement Co., Chicago**
July 29 filed 100,000 shares ($1 par) common. **Underwriter** — Lazard Freres & Co., New York. Price by amendment. **Proceeds**—Shares are being sold by stockholders. **Business**—Cement manufacturing company.

Glenader Textile Corp., New York
Aug. 28, 1946, filed 355,000 shs. ($1 par) common, of which 55,000 shs. are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

● **Goldstone Mining Co., Seattle, Wash.**
July 22 (letter of notification) 1,000,000 shares of stock. **Price**—25 cents a share. No underwriting. For machinery and equipment to develop mining property.

Grolier Society, Inc., New York
April 2, 1947 (by amendment) 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters will purchase from the company 70,000 shares and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—For reduction of bank loans.

● **Gundel (J. B.) & Co., Inc., New York (8/4)**
July 25 (letter of notification) 10,000 shares of Class A common and 2,000 shares of Class B common. **Price**—$20 a Class A share and $50 a Class B common. No underwriting. To place mortgage loans on homes, finance improvements and for other real estate activities.

Hammond Instrument Co., Chicago
July 16 (letter of notification) $100,000 of ($1 par) common, being sold by Laurens Hammond, President of the company. Prices to be determined at time of sale. **Underwriting**—Paul H. Davis & Co., Chicago.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. Underwriters may withdraw as such. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Hooker Electrochemical Co.
June 26 filed 110,000 shares (no par) cumulative preferred, series A. **Underwriting**—Smith, Barney & Co., New York. **Price**—By amendment. **Proceeds**—To redeem outstanding shares of $4.25 cumulative no par preferred at $104 a share and for construction expenditures. Offering indefinitely postponed.

● **Humptulips Oil Development Co., Seattle, Wash.**
July 21 (letter of notification) 3,085 shares ($10 par) common. Shares to be exchanged for acreage of land in Grays Harbor County, Wash., on the basis of one share of stock for each acre of land deeded to the company. No underwriting.

● **Hutchinson (Hoge V.) Sunset Ranch, Tucson, Ariz.**
July 23 (letter of notification) pre-organization subscription for 10,000 shares of common of "Veterans' Small Business Inc." **Price**—$10 a share. No underwriting. To establish veterans in their own business.

● **Hyman (Edward) Co., Los Angeles, Calif.**
July 21 (letter of notification) 6,000 shares ($1 par) Class A stock. **Price**—$4.50 a share. No underwriting. For working capital.

Illinois Power Co., Decatur, Ill.
June 17, 1946 filed 200,000 shares ($50 par) cumu. preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

● **Illinois-Rockford Corp., Chicago**
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations. **Business**—Furniture manufacturing.

● **Industrial Castings Corp., South Beloit, Ill.**
July 28 (letter of notification) 18,460 shares ($10 par) common. **Price**—$10 a share. No underwriting. For working capital.

Inglewood Gasoline Co., Beverly Hills
July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital.

Interstate Power Co., Dubuque, Iowa
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 3,000,000 shares ($3.50 par) capital stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. (bond only); Harriman Ripley & Co., and Dillon, Read & Co. Inc. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital.

Jahn & Ollier Engraving Co. (8/11)
Feb. 26, filed 102,000 shares ($1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. It was announced July 25 that the company has instituted conversations with The First Boston Corp., Lehman Brothers and Lazard Freres Co. (jointly) toward underwriting the stock. **Offering**—Preferred stock initially will be offered in exchange for outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. **Proceeds**—Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred. **Bids**—Bids for purchase of stock advertised for July 14 postponed.

● **Koch Chemical Co., Winona, Minn.**
July 22 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. **Underwriter**—H. P. Carver Corp., Boston. To retire debt and for working capital.

● **LaCrosse Telephone Corp., Chicago**
July 22 (letter of notification) 10,693 shares of common. **Price**—$12 a share. No underwriting as yet. For property additions and replacements.

● **Langendorf United Bakeries, Inc., San Francisco**
July 22 (letter of notification) 3,000 shares of Class "B" stock being offered on behalf of the estate of Bernard Langendorf, deceased. To be sold at market. **Underwriter**—Walston, Hoffman & Goodwin, San Francisco.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

Lay (H. W.) & Co., Inc., Atlanta
April 18 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 15,000 shares ($1 par) common. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta. **Offering**—All but 3,000 shares of the common will be sold publicly at $6.50 a share. The preferred will be offered to the public at $50 a share. The 3,000 shares of common not sold publicly will be offered to company officers and employees at $5 each. **Proceeds**—For construction of new plants at Atlanta and Memphis, Tenn. Offering indefinitely postponed.

● **Legend Gold Mines, Ltd., Toronto, Canada**
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

Lerner Stores Corp., Baltimore, Md. (8/5)
July 18 (by amendment) $10,000,000 20-year sinking fund debentures due 1967. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. **Proceeds**—To repay bank loan and provide funds or reimburse Treasury for funds used for expenditures, etc. [Originally company filed 100,000 shares ($100 par) preferred stock.]

Libby, McNeill & Libby
April 30 filed 100,000 shares (no par) preferred stock. **Underwriter** — Glore, Forgan & Co. **Offering** — Stockholders will be given the right to subscribe to the new stock at the rate of one share of preferred for each 36 shares of common owned. **Proceeds**—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes. Offering temporarily postponed.

Lock Nut Corp. of America, Chicago
June 17 filed 50,000 shares ($12.50 par) 5% cumulative preferred and 250,000 shares ($1 par) common. **Underwriting**—No underwriting. **Price**—$17.50 per unit consisting of one share of preferred and five shares of common. **Proceeds**—For payment of outstanding notes and for purchase of machinery and equipment.

Loew's Inc., New York
June 20 filed 59,676 shares (no par) common. **Underwriting**—To be sold at market through regular brokers. **Offering**—To the Public. **Proceeds**—The shares are being sold by Nicholas M. Schenck, President, who will receive proceeds.

Manhattan Coil Corp., Atlanta, Ga. (8/11-15)
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price** —The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.
April 10 filed 300,000 shares ($1 par) common. **Underwriter**—F. H. Winter & Co. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

● Marketing Publications, Inc., New York
July 25 (letter of notification) 750 shares ($100 par) 6% cumulative preferred and 750 shares ($1 par) common to be sold at par. No underwriting. For expansion purposes.

● Maryland-Virginia Building Corp., Baltimore, Md.
July 24 (letter of notification) 30,000 shares ($10 par) common. **Price**—$10 a share. No underwriting. For the erection of homes and office buildings in both Maryland and Virginia.

Mays (J. W.) Inc., Brooklyn, N. Y.
Feb. 28 filed 150,000 shares ($1 par) common. **Underwriter**—Burr & Co., Inc., New York. Price by amendment. **Proceeds**—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

● McPhail Candy Corp., Chicago
July 25 filed 100,000 shares ($10 par) 5½% cumulative convertible preferred and 200,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. **Price** — $10 a preferred share and $6 a common share. **Proceeds** — Company will receive proceeds from the sale of preferred only and will use it to pay off bank loans, buy new equipment and for working capital. The common stock is being sold by Russell McPhail, President. **Business**—Candy manufacturing.

Mill Reef Properties, Ltd., Antigua, Leeward Islands, British West Indies
June 26 filed $780,000 (B. W. I.) of unsecured debentures, due 1977, 3% interest after Jan. 1, 1950; and 8,500 shares of $1 (B. W. I.) par capital stock. **Underwriting**—The shares may be sold through officers and directors of the company. **Price**—Per unit: $6,000 B. W. I. ($5,100 U. S.) debentures and 60 capital shares. The company will issue an additional 700 shares of capital stock to Robertson Ward, President, as compensation for services. **Proceeds**—To acquire property and construction of club facilities.

Morris Plan Corp. of America, N. Y.
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

● N. W. Buyers & Jobbers, Inc., St. Paul, Minn.
July 22 (letter of notification) 2,000 shares ($50 par) common. **Price**—$50 a share. No underwriting. To finance increased costs of inventory.

Nickel Cadmium Battery Corp., Easthampton, Mass.
June 2 (letter of notification) 30,000 shares ($10 par) 6% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Harrison White, Inc., New York. **Proceeds**—To be added to general funds for general corporate purposes.

Old Poindexter Distillery, Inc., Louisville, Ky.
Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital. Offering indefinitely postponed.

Oneida, Ltd., Oneida, N. Y.
May 27 (letter of notification) 20,500 shares ($12.50 par) common. **Price**—$12.50 a share. Offered at par to common stockholders of record June 13 at rate of one new share for each 10 shares held. Rights expire Aug. 13. No underwriting. For additional working capital.

Plywood Inc., Detroit
July 18 filed $500,000 5% sinking fund debentures, due 1967, and 200,000 shares ($1 par) common. **Underwriter**—P. W. Brooks & Co., Inc., New York, is principal underwriter for debentures and Baker, Simonds & Co., Detroit, is principal underwriter for the common. **Price**—Debentures will be sold at par with a 9% discount to underwriter while common will be sold at $2 a share with a discount of 30 cents a share to the underwriters. **Proceeds**—To purchase all the outstanding stock of Kalpine Plywood Co., Klamath Falls, Ore., and to retire bank indebtedness and for working capital.

Potomac Electric Power Co. (8/13)
July 10 filed 140,000 shares ($50 par) preferred, entitled to cumulative dividends. **Underwriting**—To be determined by competitive bidding. Probable bidders include Drexel & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Dillon, Read & Co., Inc. **Offering**—Stock will be offered in exchange for outstanding 5½% preferred, series of 1927, in the ratio of two shares of new preferred for each old preferred share, plus cash adjustments. Shares of new preferred not issued in the exchange will be sold to underwriters. **Proceeds**—The new stock will be issued for the purpose of refinancing the old preferred at a lower dividend rate. Cash proceeds will be used to make the cash adjustments and to repay temporary bank loans made for the purpose of redeeming old preferred shares. **Bids**—Bids for purchase of stock will be received up to 11:30 a.m. (EDT) August 13 at Room 1961, 60 Broadway, New York.

Public Service Co. of Indiana Inc.
March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — Common stockholders of record July 16 will be given right to subscribe in the ratio of $10 principal amount of debentures for each share of common held. Rights will expire Aug. 18. The debentures will be convertible into common from May 1, 1947, to Dec. 31, 1951. **Price**—Par. **Proceeds** For repayment of $11,500,000 of bank loan notes.

● Public Service Co. of New Hampshire, Manchester, N. H.
July 28 filed for an unspecified amount of ($10 par) common a total of 565,553 shares are now owned by New England Public Service Co. **Underwriters** — Names by amendment. Probable bidders include: The First Boston Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Offering**—The number of shares and terms of offering will be determined by New England as soon as the U. S. District Court of Maine issues an order enforcing its corporate simplification plan approved by the SEC last June. The sale of stock is in connection with the plan.

Quebec Gold Rocks Exploration Ltd., Montreal
Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Raleigh Red Lake Mines, Ltd., Toronto, Can.
June 9 filed 460,000 shares of stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—25 cents a share. **Proceeds**—To finance diamond drilling and land surveys.

● Rancho Yavapino, Flagstaff, Ariz.
July 21 (letter of notification) 1,500 shares ($100 par) 5% preferred and 3,000 shares ($1 par) common. **Price**—$100 a preferred share and $1 a common share. To be sold through Neill F. McGaffey, President; Georgia L. McGaffey, Secretary and Treasurer; and J. Peter Ver Cruisse, of Phoenix. For construction and furnishing of guest ranch.

● Reed-Prentice Corp., Boston, Mass.
July 22 (letter of notification) 2,500 shares ($2.50 par) common on behalf of Charles S. Payson, Vice-President of the company. To be sold at market through Tucker, Anthony & Co.

Refrigerated Cargoes, Inc., New York
Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York
Registration originally filed July 31, 1946, covered 184,823 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

● Resort Airlines Inc., Southern Pines, N. C.
July 28 (letter of notification) 13,300 shares of common. **Price**—$2.25 a share. No underwriting. For operating capital and equipment purchase.

● Revere Racing Association, Inc., Boston
July 29 filed 140,000 shares (no par) common. **Underwriter**—Bonner & Bonner, Inc., New York. **Price**—$5.75 a share. **Proceeds**—The shares are being sold by stockholders who will receive all net proceeds. **Business**—Operation of a dog racing track at Boston.

Rochester (N. Y.) Gas & Electric Corp.
May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction. Corporation has temporarily abandoned the proposed financing, it was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp. (8/5)
June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co.; Shields & Co. **Proceeds**—To redeem 4½% series A first cumulative preferred, pay off demand notes, and for property expansion and conversion of telephone system from manual to automatic dial operation in Rochester. **Bids**—Bids for purchase of the stock will be received up to 11 a.m. (EDT) August 5 at Room 1922, 15 Broad Street, New York, N. Y.

● Royal Imprints Inc., Lewisburg, Pa.
July 17 (letter of notification) 10,000 shares ($10 par) 5% cumulative participating preferred. **Price**—$10.50 a share. **Underwriter**—S. M. Walter & Co., Harrisburg, Pa. For retirement of bank notes and for working capital.

Salant & Salant, Inc., New York
March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Sanitary Products Corp., Taneytown, Md.
June 25 (letter of notification) 1,420 shares ($50 par) cumulative convertible preferred. **Price**—$50 a share. **Underwriter**—Jackson and Co., Boston, will be underwriter for 1,300 shares. The remaining 120 shares will not be underwritten. For working capital and organization expenses.

Service Caster & Truck Corp., Albion, Mich.
April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

Sta-Kleen Bakery, Inc., Lynchburg, Va.
July 18 (letter of notification) 100,000 shares of common of which 45,500 will be exchanged for outstanding common, 45,450 shares will be issued as a stock dividend, 9,090 will be sold to existing stockholders at $10 a share and 10 shares will be sold to underwriters at $10 a share. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va. For expansion of plants and for equipment.

Strauss Fasteners Inc., New York
March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1,000,000 each, and for working capital. Offering date indefinite.

Thermoid Co., Trenton, N. J. (7/31)
June 27 filed 161,626 shares ($1 par) common. **Underwriting**—Blyth & Co., Inc., New York. **Offering**—Of the total, 111,626 shares will be offered in exchange to stockholders of Asbestos Manufacturing Co. on the basis of two shares of Thermoid common for one share of Amco cumulative convertible preference stock and one share of Thermoid common for four shares of Amco common. The remaining 50,000 shares will be offered publicly. **Proceeds**—Proceeds from the public sale will be used to purchase 90,000 shares of Amco common for $225,000 which will assure it voting control of Amco. The balance of proceeds will be added to working capital.

Thomascolor Inc., Los Angeles
July 9 filed 1,000,000 shares ($5 par) class A common. **Underwriter**—No underwriting. **Price**—$10 a share. **Proceeds**—To purchase production facilities and for working capital.

● United States Construction Co., Inc., Washington, D. C.
July 24 (letter of notification) 100 shares (no par) common and 2,000 shares (no par) preferred. **Price**—$1,000 a common share and $100 a preferred share. To be sold through officers and directors of the company. For general contracting and construction business.

United States Television Mfg. Corp. (8/4-6)
June 18 filed 75,000 shares of 5% convertible preferred stock (par $4). **Underwriters**—William E. Burnside & Co., Inc. and Mercer Hicks & Co. **Offering**—To be offered at par. **Proceeds**—For general corporate purposes as additional working capital. Registration statement is expected to become effective this week.

United Utilities & Specialty Corp., Boston
July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In addition, they will be granted warrants to purchase 50,000 shares of the issuer's common at $5 a share. **Proceeds**—For additional working capital.

● Upson Co., Lockport, N. Y. (8/4)
July 25 (letter of notification) 1,800 shares ($10 par) common, being offered on behalf of Charles A. Upson, board chairman of company. To be sold to underwriter, Hamlin & Lunt, Buffalo, N. Y., at $16.50 a share and offered publicly at market.

Utah Chemical & Carbon Co.
Dec. 20 filed $700,000 5% 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital. Registration statement became effective June 28.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Victory Chemical Co., Inc., Buffalo
July 18 (letter of notification) 2,000 shares ($100 par) 6% cumulative first preferred; 500 shares ($100 par) 5% cumulative second preferred and 2,500 shares (no par) common. **Price**—$100 for each preferred share. The common will be exchanged for presently outstanding common on the basis of five shares of new common for each share of old common. No underwriting. To pay outstanding obligations and for working capital.

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(Continued from page 35)

● **War Eagle Gold Silver Lead Mining Co., Seattle, Wash.**
July 22 (letter of notification) 1,000,000 shares of common. **Price**—15 cents a share. To be sold through directors of the company. For machinery and equipment to develop mining property.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. **Proceeds**—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

Western States Casualty Co., Helena, Mont.
July 16 (letter of notification) 1,997 shares ($100 par) common. **Price**—$150 a share. No underwriting. To finance stock casualty insurance company.

Whitefield Life Insurance Co., Dalton, Ga.
July 21 (letter of notification) 10,000 shares ($10 par) capital stock. **Price**—$20 a share. No underwriting. For capital surplus.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. Underwriters—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.**

● **Western Mining & Development Co., Salt Lake City, Utah**
July 23 (letter of notification) 250,000 shares (5¢ par) common. **Price**—25 cents a share. **Underwriter**—H. A. Emery & Co., Salt Lake City. To purchase mining equipment and supplies for working capital.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Continental Casualty Co.**
July 23 stockholders voted to increase stock from $5,000,000 to $6,000,000 (par $10), the additional 100,000 shares to be offered for subscription to stockholders on basis of one new for each five shares held. Unsubscribed shares will be purchased by underwriters, probably Glore, Forgan & Co.

● **Delaware Lackawanna & Western RR. (8/7)**
Aug. 7 company will receive bids for purchase of $2,800,000 of equipment trust certificates. The certificates are to be dated Aug. 15, 1947, and are to mature semi-annually over a period of 10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). Bids will be received up to noon (EDT) at office of J. G. Enderlin, Treasurer, Room 2008, 140 Cedar Street, New York.

● **Equitable Gas Co.**
July 28 reported company contemplates sale of $16,000,000 bonds. Probable bidders include Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.

● **Equitable Office Building Corp.**
July 23 Federal Judge John C. Knox postponed until Aug. 4 his determination on the submission of three underwriting offers to the stockholders of the corporation. Each is designed to provide cash for payment in full of principal and interest on outstanding debentures.

Two of the offers, which had been opposed by a representative of the SEC as requiring excessive underwriting compensation were modified in Federal District Court and an alternative offer was submitted by Wertheim Co., which already had submitted one proposal. Manufacturers Trust Co. submitted one of the original plans.

● **Hajoca Corp., Philadelphia**
July 29 directors provided that holders of the company shares shall be entitled to subscribe at $35 per share for new shares to be issued on basis of one new share for each 10 shares held. Date and details of offering will be announced shortly.

Illinois Central RR. (8/5)
July 21 company has asked the ICC for authority to issue $4,400,000 of series X equipment trust certificates to be dated Aug. 1, 1947 and to mature in 20 semi-annual instalments. The road asked permission to issue and presently sell an instalment of $1,200,000 of the series X certificates in order to purchase 400 50-ton hopper cars. The total program will cover the purchase of 1,400 hopper cars. Certificates are to be sold at competitive bidding (noon) Aug. 5. Probable bidders include: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Illinois Central RR.**
July 25 company asked the ICC for authority to issue $11,360,000 equipment trust certificates, series Y, the proceeds to be used in connection with the purchase of $14,214,609 in new equipment. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **New England Gas & Electric Association**
July 23 General Public Utilities Corp. announced that it intends, by telegraphic notice, to invite prospective bidders, who shall have indicated their interest in purchasing 311,361 shares of New England stock, to submit to G. P. U. written proposals for the purchase of the shares. Persons interested in bidding for the stock should advise H. A. Bush, Comptroller, G. P. U., Room 2401, 61 Broadway, New York. Probable bidders include The First Boston Corp.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

● **New England Telephone & Telegraph Co.**
July 30 the New Hampshire P. S. Commission announced an application by the company for permission to issue $40,000,000 of debentures. Most of the proceeds would be used to repay advances to company's parent, American Telephone & Telegraph Co., which amounted to $32,100,000 on June 30. The borrowed money was used for a new plant. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

● **Pfizer (Chas.) & Co.**
Sept. 3 stockholders will vote on creating an authorized issue of 200,000 shares of preferred stock (par $100) of which 50,000 shares bearing a dividend rate of 3½% will be sold to institutional investors, through F. Eberstadt & Co. Inc.

● **San Francisco Bank (8/27)**
Tom C. Clark, Attorney General of the United States, invites bids for the purchase, as a whole, of 20 shares of common stock (par $1,000) (five-sixths paid). The shares constitute approximately 1.666% of the outstanding capital stock of The San Francisco Bank, 526 California Street, San Francisco, Calif. Bids for the shares must be presented at office of Alien Property Department of Justice, 120 Broadway, New York 5, N. Y., on or before noon (EDT) on Aug. 27.

● **Southern Pacific Co.**
July 28 the company asked the ICC for authority to issue $11,400,000 equipment trust certificates, series V, to be dated Aug. 1, 1947, the proceeds to be used to finance new equipment estimated to cost $15,266,286. Probable bidders include Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Tennessee Gas Transmission Co.**
July 15 stockholders, with a view to facilitate additional financing, voted to change the State of incorporation to Delaware and to increase the preferred from 150,000 to 400,000 shares and the common from 2,255,000 to 5,000,000 shares. Probable underwriters: Stone & Webster Securities Corp. and White, Weld & Co.

Our Reporter's Report

The current week brought further evidence of the difficulty which corporations face at the moment in seeking to raise additional capital through the medium of preferred stock.

Only a few weeks ago Kentucky Utilities Co. made two attempts to market an issue of 130,000 shares of preferred through competitive bidding channels. In neither case was the company able to attract as much as a single bid.

The company is now reported to be discussing the situation with investment bankers looking toward the possibility of working out some sort of negotiated deal which the Securities and Exchange Commission would sanction.

Only the other day a second utility, Florida Power & Light Co. was able to sell $20,000,000 of new mortgage bonds and debentures, in equal amounts, but bankers refrained from making a bid for 150,000 shares of preferred stock which the company also sought to market.

Investment bankers are extremely cautious in the matter of taking on preferred shares by way of competitive bidding. It is not because they don't want to do the business but, as they bluntly put it, "because they don't like the risk of being 'hung' with an issue."

The underwriters contend that the public just won't buy preferred stocks, a situation they ascribe to the tendency to overprice such issues when forced to bid for them. Some are a bit puzzled on whether to regard the matter as indicative of a "buyer's" strike, or at least partially a consequence of salesmen's dislike for the job of selling preferreds.

Public Service of Colorado

Public Service Co. of Colorado encountered a distinctly different situation in marketing a block of 160,000 shares of $100 par cumulative preferred.

This company received bids from two banking syndicates with the successful group paying a price of $100 a share for a 4¼% dividend rate and specifying an underwriting commission of $2.91 a share.

The stock was publicly offered yesterday, at par and accrued dividends from June 1. Holders of the company's outstanding preferred, totaling 62,199 shares, have prior right to exchange on a pro-rata basis, plus cash adjustments.

Cleveland Hits Snag

The City of Cleveland ran into a snag when its Transit Board sought to market $22,000,000 of first mortgage bonds. Here again bankers were disinclined to bid on the terms offered.

It was reported, however, that one group submitted a conditional bid for the issue on which the board has until tomorrow to act.

Bankers shied away from this business because of the stringent terms and conditions set by the city fixing a maximum interest rate of 3% and a minimum price of 100 among other things.

Next Tuesday the City of Chicago is scheduled to offer $105,000,000 of transit bonds. In this instance the authority has fixed a minimum price of par, but is leaving the coupon rate up to the bidders, specifying only that it must be in multiples of ⅛.

Brisk Bidding Here

Bankers still go strong for what bond men refer to as "street-sized deals," that is issues involving $10,000,000 to $20,000,000. This was made clear by the keen competition which marked the sale of Florida Power & Light Co.'s two $10,000,000 issues.

In the case of the first mortgage bonds, due 1977, the issue was sought by no less than eight competing groups. All specified a 3% coupon and bids ranged all the way from 101.8907 the highest, down to 100.411 the lowest.

For the debentures three bids were entered and here the bankers' ideas of pricing and coupons was a bit more varied. The winning group specified a 3¼% coupon and fixed a price of 100.19. The second bid, for 3⅜s, was 101.039 while the third group bid 100.3412 for a 3½% coupon.

Proceeds of the issue will be used to provide for approximately 75% of the cost, estimated to be $12,867,800, of the following new standard-gauge railroad equipment: 3,000 55-ton steel box cars; two 2,000 H. P. Diesel road freight locomotives; and four 2,000 H. P. Diesel road passenger locomotives.

Halsey Stuart Group Offers Central Equips.

Halsey, Stuart & Co. Inc., and associates were awarded yesterday (Wednesday) $9,400,000 New York Central RR. second equipment trust of 1947, 2⅛% equipment trust certificates, maturing $940,000 annually Aug. 15, 1948 to 1957, inclusive. The certificates, issued under the Philadelphia plan, were immediately re-offered by the group, subject to Interstate Commerce Commission authorization, at prices to yield from 1.25% to 2.30%, according to maturity.

The certificates will be unconditionally guaranteed by the New York Central RR. as to par value and dividends by endorsement on each certificate.

Soft Ball League Championship Playoff

Anthony J. Shields of Harris Upham & Co., President of the Wall Street Softball League, has announced that the New York Curb Exchange would engage Josephthal & Company's tossers in a twin bill on Thursday, July 31, to determine the league championship.

Heading the league at the close of the season, the Curb defeated F. V. Foster's ten 2-0 and 4-0 in the playoffs last Thursday night with Johnny Bertuzzi pitching the double shut out. They gained the right to meet Josephthal & Co. who eliminated Carl M. Loeb, Rhoades & Co. from the playoffs with two 5-2 victories.

If a third game is necessary the two clubs will meet in a deciding encounter the following week.

The winning team will be awarded the J. S. Bache trophy, symbolic of Wall Street softball supremacy. The Curb Exchange has walked off with the laurels since the league's inception 13 years ago.

World Bank Securities And SEC Regulation

(Continued from page 3)

rules are due to the United States' interest in the Bank.

The interest of these United States should extend to fair play in the marketing of all securities. There should be a parity and equality of practice.

We have hammered continuously against the monopoly created by the Maloney Act and have persistently advocated its repeal.

It will be seen that the Commission found it necessary to exempt the World Bank securities from this Act, a position which we feel supports the editorial policy we have adopted since the passage of the Maloney Act.

One interesting problem posed by these new rules is whether a *non-registered dealer* or broker may make a continuous market in the securities of the World Bank.

The action of the SEC in connection with the World Bank securities, which is here described, was covered by the Commission's release No. 3233.

Reading that release, one gets the impression that it was the intention of the SEC to permit continuous markets in World Bank's securities by dealers and brokers *whether or not they are registered.*

Our representative addressed this question to Mr. S. Fleetwood Dunston, Director of Sales of World Bank Securities, and he gave it as his opinion the Commission intended that *non-registered* dealers and brokers could maintain a continuous market in these exempt securities.

On the whole, we are of the opinion that the Commission would do well to convert the exception into the rule and adopt the policy of what is sauce for the goose, etc.

We prophesy that the instant practice will be the forerunner of numerous future applications for exemption from provisions of the Securities Act. It is well that this should be so and that a liberal attitude should be adopted by the SEC with respect to such applications, until such time as the burdens imposed by the excessive regulations of the Securities Acts are considerably lightened and until such time as the Maloney Act is completely repealed.

Recent Growth in Pension Plans For Bank Employees Shown in Study

A study of pension practices for bank employees shows that there has been a rapid growth of such plans during the last five years, with 177 new plans established during the 1942-1947 period among a group of banks studied by Bankers Trust Company's pension trust division.

The study, results of which are being published in August, covers two-thirds of all bank employees in the nation, employed in the 700 banks with deposits in excess of $22.5 million, and, in addition, banks covered by State association plans. Of the group of 700 banks studied, only 112 had formal pension plans prior to 1942.

There has been a wide interest too, on the part of bankers associations in sponsoring group plans available to member banks. There are now 13 such plans in existence embracing coverage for more than 8,000 employees.

The study indicated that there was very little agreement among banks relative to the type of plan used for employee retirement. Of the 289 banks in the study-group which now have formal pension plans there are 226 different plans in use. The study includes a tabular analysis of these 226 different plans covering such details as eligibility, retirement ages, employee contributions, benefits to employees, and other conditions. The most common factor in all plans was the general agreement on an average retirement age of 65, although some plans provide for earlier pensions.

A breakdown of pension plans by geographical areas indicates that the war-born interest in employee retirement programs is not centered in particular areas of the nation but rather is nationwide.

Many institutions, which do not maintain formal pension plans, have adopted profit-sharing systems to provide retirement funds for individual employees. Some banks combine profit sharing with a formal plan, while others view profit sharing wholly as incentive pay.

The study points out that many banks having no formal retirement plan have adopted informal practices to cover payment of pensions to old employees. While there is no general standard as a basis for the amount of such pensions, most are calculated on a basis of merit and need. The study states that such a plan often is more costly than the establishment of a formal plan.

A simple yardstick for computing the cost of a pension plan to a given institution is included in the book. This yardstick explains the use of the past service and future service benefit formulas, and illustrates the way in which annual costs are calculated, utilizing a pre-determined list of mathematical factors.

The study will be distributed during August to correspondent banks and bank customers of Bankers Trust Company throughout the country, and will be available to other bank officers and directors upon written request to the Pension Division, 16 Wall Street.

Halsey Stuart Group Offers Florida Pr. Debs.

A group headed by Halsey, Stuart & Co. Inc., is offering publicly today (July 31) $10,000,000 Florida Power & Light Co. 3¼% sinking fund debentures due July 1, 1972, at 101% plus accrued interest.

Net proceeds from the sale of the debentures, as well as funds from the sale of $10,000,000 in new bonds and from the sale of 100,000 shares of common stock which American Power & Light Co. has contracted to purchase for $2,500,000, will be used by the company for the redemption of $17,460,000 of indebtedness. The remainder will be used to provide additional electrical production, transmission and distribution facilities and gas production and distribution facilities required to meet the growing demands for electric and gas service in the territory served by the company.

The debentures are redeemable at prices ranging from 104% to par and at special prices running from 100.89% to par.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At a recent meeting of the Board of Directors of the **Manufacturers Trust Company of New York,** a transfer from undivided profits to surplus of $18,750,000 was approved. After giving effect to this transfer, capital will remain as at present at $41,250,000; Surplus will be increased from $41,250,000 to $60,000,000, and undivided profits as of June 30, after adjustment, will amount to $20,048,000, making total capital funds of $121,298,000.

* * *

On July 8, **Central Savings Bank of New York** held a testimonial dinner at Luchow's Restaurant, in 14th Street, to mark the establishment of its Quarter Century Club and to welcome as charter members all who had been associated with the bank for 25 years or more. Guests of honor were 15 members, five of whom have served the bank for more than 40 years. James T. Lee, President of the bank, expressed appreciation of the "outstanding services" the guests of the occasion and presented each member with a gold service button and a $50 U. S. Government Bond. In addition, he stated that annual paid vacations for each employee who is a member of the club would be increased to four weeks.

* * *

Three of Westchester County's principal banks—the **County Trust Company of White Plains, N. Y.,** the **Washington Irving Trust Company of Tarrytown,** and the **Bank of Westchester of Yonkers**—have merged under the name of the County Trust Company, according to a joint statement released by Andrew Wilson, Jr., Joseph E. Hughes and Henry F. Freund, Presidents of the three banks. The merger was approved on July 29 at special stockholders' meetings. The new institution will have capital funds in excess of $7,750,000 and total resources over $120,000,000. The bank has 18 offices located in Westchester communities. All three institutions, which are state banks, are also members of the Federal Reserve System and of the Federal Deposit Insurance Corporation. It is expected that the merged bank will be headed by Andrew Wilson, Jr., as Chairman of the Board, and Joseph E. Hughes, as President. Henry F. Freund is expected to retire from the banking business and will hold no official post in the new organization. References to the proposed merger appeared in our issue of June 26, page 3380 and July 17, page 247.

* * *

The **Federal Reserve Bank of Boston** announced on June 30 the appointments of Roy F. Van Amringe of Braintree as Vice-President and Robert B. Harvey as Cashier, it is learned from the Boston "Herald" of July 1, which in part said:

"Mr. Van Amringe has been associated with the bank since 1917. He was appointed Assistant Cashier in 1941 and Assistant Vice-President in 1945. He is Secretary of the Boston National Bank Cashiers Association.

"Mr. Harvey, who fills a vacancy left by the death of John C. Hunter, joined the staff of the Reserve Bank in 1918. He was named Assistant Cashier in 1943, and has since served the bank as personnel director. He has been active for many years in the banking field with the American Institute of Banking."

* * *

Harold B. Mathewson was elected President and Treasurer of the **National Savings Bank of New Haven, Conn.** at the annual meeting on July 18 of the Corporators of the bank, according to the New Haven "Register" which states that in his new posts Mr. Mathewson succeeds John P. Kimberly, who retired July 1, after 44 years of service. The same advices said in part:

"Mr. Mathewson joined the staff of the National Savings Bank Jan. 1, 1936 as assistant to the President and in addition to this post became Secretary the following year, an office which he held until 1946 when he was elected a corporator, trustee and Vice-President.

* * *

Douglas W. Morgan, President of the **Palisades Trust Company of Englewood, N. J.** has announced the appointments of Arthur J. Carlson and William A. Bellinger as Assistant Treasurers of the Bank. Mr. Carlson has been associated with the Bank since 1916. Mr. Bellinger was employed by the Bank of New York for 19 years before joining the Palisades Trust Company in April of this year.

* * *

Tradesmens National Bank and Trust Company of Philadelphia announced on July 28 that at a meeting of the Directors on July 25, James M. Large was elected a Director.

* * *

Effective July 15 the **First National Bank & Trust Company of East Pittsburgh, Pa.** increased its capital from $300,000 to $500,000 by a stock dividend of $200,000.

* * *

An 84-page booklet embodying the story of the first 100 years of the **Western Savings Fund Society of Philadelphia,** contains in its final sentence a tribute to the members of its Board of Managers, past and present, which holds the key to the venerable institution's success through good times and bad. There, Mary B. Reeves, Advertising Manager of the Society, who authored the book, issued under the caption "A Savings Bank Account" writes that it will record that they "have served with unfaltering loyalty and capability the ideal proclaimed by the founders, yet have never been unwilling to progress, so long as 'all things work together for good'." From the release accompanying the book, we quote in part:

"It is a tribute to the wise conservatism of the Managers that the Society has weathered every financial crisis that has occurred since its founding. And that the original 21 depositors—the Managers who put up $2,000 as the initial deposits on the day the Society opened for business, July 7, 1847—have grown to 224,700 with deposits totaling $174,788,373. In its first century Western has taken for deposit $899,289,165 and has credited to depositors a total of $81,890,529 in interest.

"The modest three-story brick building in Chestnut Street west of 10th was outgrown in five years. Since then the Society has spread to seven offices throughout the city. Plans recently were announced for the erection of a new 10-story main office building at Broad and Chestnut Streets on the site of the Real Estate Trust Building. Meanwhile, the home office will remain at 10th and Walnut Streets, which it has occupied since 1856.

"Since the history of an institution such as the Western Saving Fund Society is inseparably bound with the history of the community it serves, 'A Savings Bank Account' is to a large extent a history of Philadelphia in the period that it covers. The Society and the city have grown up together, each justifiably proud of its own and the other's achievements."

* * *

The 25th anniversary of **The Bank of Virginia at Richmond, Va.** occurred on July 17 where the staff was busy in greeting the numerous well-wishers and those who came to see $1,000,000 cash on display. The day also marked 25 years of service for Thomas C. Boushall, President, and L. H. Fairbank, Vice-President, in recognition of which Mr. Boushall was presented with a silver tray and goblets by the officers and The Bank of Virginia Club, and Mr. Fairbank was presented a scroll by the officers and directors. The bank in its announcement quotes an editorial in the "Portsmouth Star" in its comments on the anniversary which in part says:

"Its development from a bank with total resources of $375,000 in 1922 to one of more than $55,000,000 in 1947 bespeaks its phenomenal growth through the years as a banking institution, not alone for Portsmouth and its citizens but for the State as well."

* * *

Logan Coleman, President of the **Illinois National Bank of Springfield, Ill.** died suddenly on July 22 while enroute to Cheyenne Wyo., it is learned from the "St. Louis Democrat." Stricken at Estes Park, Colo., where he had been vacationing, a plane had been chartered at Cheyenne to take him to Chicago. Mr. Coleman was 67 years of age.

* * *

The new $600,000 capital of the **National Bank of Commerce of Chicago, Ill.** increased from $500,000, became effective on July 16. Plans to increase the capital were noted in our issue of June 26, page 3380.

* * *

Ratification on July 25 by stockholders of **Industrial Bancshares Corporation** of plans to increase its common stock so as to provide for exchange of 3¼ shares for each share of **Northwestern National Bank of St. Louis** stock placed in escrow by Missouri holders assenting to the plan was reported in the St. Louis "Globe Democrat" of July 26, which added:

"The stock is expected to be issued early next week, when Northwestern National Bank will become a majority controlled subsidiary of Industrial Bancshares. No change in management is planned. John P. Meyer is President of the bank.

* * *

An increase of $200,000 in the capital stock of the **City National Bank of Tuscaloosa, Ala.,** through a stock dividend, raising the capital from $400,000 to $600,000 is reported in the bulletin issued by the office of the Comptroller of the Currency. The enlarged capital became effective July 14.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 3	94.4	93.1	72.0	89.6
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug. 3	1,651,900	1,629,200	1,259,900	1,579,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 19	5,049,850	5,045,350	5,114,500	4,937,100
Crude runs to stills—daily average (bbls.)	July 19	5,126,000	5,229,000	5,078,000	4,817,000
Gasoline output (bbls.)	July 19	15,747,000	16,197,000	15,682,000	14,227,000
Kerosine output (bbls.)	July 19	2,091,000	2,194,000	2,163,000	1,978,000
Gas oil and distillate fuel oil output (bbls.)	July 19	5,912,000	5,903,000	5,942,000	5,329,000
Residual fuel oil output (bbls.)	July 19	8,969,000	8,679,000	8,598,000	8,089,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 19	87,145,000	88,791,000	91,877,000	89,519,000
Kerosine (bbls.) at	July 19	16,672,000	16,057,000	14,041,000	15,678,000
Gas oil and distillate fuel oil (bbls.) at	July 19	46,505,000	45,261,000	40,835,000	43,481,000
Residual fuel oil (bbls.) at	July 19	51,542,000	50,529,000	48,766,000	43,284,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 19	919,734	806,961	901,296	921,496
Revenue freight rec'd from connections (number of cars)	July 19	651,744	531,398	715,343	687,012
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	July 24	$134,765,000	$104,350,000	$143,470,000	$140,857,000
Private construction	July 24	75,468,000	51,195,000	69,090,000	66,705,000
Public construction	July 24	59,297,000	53,155,000	74,330,000	74,152,000
State and municipal	July 24	49,179,000	39,084,000	33,488,000	43,220,000
Federal	July 24	10,118,000	14,071,000	40,892,000	30,932,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	July 19	12,000,000	6,235,000	12,900,000	12,500,000
Pennsylvania anthracite (tons)	July 19	1,116,000	1,008,000	1,221,000	1,340,000
Beehive coke (tons)	July 19	110,900	51,200	123,200	123,000
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 19	217	*228	256	201
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 26	4,730,229	4,732,434	4,674,434	4,352,489
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 24	76	63	60	13
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 22	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	July 22	$36.18	*$33.43	$33.15	$26.45
Scrap steel (per gross ton)	July 22	40.00	37.75	34.75	19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 23	21.225c	21.225c	21.250c	14.150c
Export refinery at	July 23	21.425c	21.050c	21.425c	16.075c
Straits tin (New York) at	July 23	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	July 23	15.000c	15.000c	15.000c	9.500c
Lead (St. Louis) at	July 23	14.800c	14.800c	14.800c	9.350c
Zinc (East St. Louis) at	July 23	10.500c	10.500c	10.500c	9.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 29	121.89	121.80	121.42	123.64
Average corporate	July 29	117.20	117.20	116.80	118.60
Aaa	July 29	122.09	122.09	121.88	123.13
Aa	July 29	120.22	120.22	120.22	121.04
A	July 29	116.80	116.80	116.41	118.40
Baa	July 29	109.97	109.97	109.42	112.56
Railroad Group	July 29	112.37	112.00	111.25	115.63
Public Utilities Group	July 29	118.60	118.60	118.60	119.20
Industrials Group	July 29	120.63	120.84	120.84	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 29	1.55	1.56	1.59	1.50
Average corporate	July 29	2.79	2.79	2.81	2.72
Aaa	July 29	2.55	2.55	2.56	2.50
Aa	July 29	2.64	2.64	2.64	2.60
A	July 29	2.81	2.81	2.83	2.73
Baa	July 29	3.17	3.17	3.20	3.03
Railroad Group	July 29	3.04	3.06	3.10	2.87
Public Utilities Group	July 29	2.72	2.72	2.72	2.69
Industrials Group	July 29	2.62	2.61	2.61	2.50
MOODY'S COMMODITY INDEX	July 29	416.5	419.0	401.0	346.4
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	July 26	221.3	222.5	217.4	181.4
Fats and oils	July 26	198.6	200.1	207.3	205.9
Farm products	July 26	259.4	257.1	249.4	212.4
Cotton	July 26	352.5	365.0	356.1	318.6
Grains	July 26	254.8	251.9	256.1	220.3
Livestock	July 26	249.7	244.5	233.1	195.7
Fuels	July 26	178.6	178.6	172.2	138.6
Miscellaneous commodities	July 26	164.4	162.1	161.1	154.2
Textiles	July 26	221.9	222.5	218.6	196.6
Metals	July 26	150.1	149.0	148.7	125.3
Building materials	July 26	194.7	*187.0	*185.7	186.4
Chemical and drugs	July 26	152.9	152.1	155.3	128.3
Fertilizer materials	July 26	129.5	129.5	127.1	116.6
Fertilizers	July 26	135.0	135.0	134.6	119.7
Farm machinery	July 26	127.1	126.6	126.6	115.1
All groups combined	July 26	203.6	202.3	197.9	170.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 19	145,615	139,288	166,639	149,547
Production (tons)	July 19	173,699	133,950	182,909	158,210
Percentage of activity	July 19	97	76	102	94
Unfilled orders (tons) at	July 19	474,870	505,183	487,877	588,429
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 24	141.2	142.7	142.7	138.7
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	July 19	150.3	148.3	147.8	124.2
Farm products	July 19	182.4	178.2	178.7	159.2
Foods	July 19	168.0	165.8	162.6	142.0
Hides and leather products	July 19	172.7	173.3	169.4	139.3
Textile products	July 19	138.4	138.3	138.4	109.5
Fuel and lighting materials	July 19	107.1	105.8	104.5	90.2
Metal and metal products	July 19	142.9	141.6	141.5	113.2
Building materials	July 19	174.8	175.4	176.3	132.5
Chemicals and allied products	July 19	117.9	117.5	124.3	100.0
Housefurnishing goods	July 19	131.4	131.0	131.0	112.5
Miscellaneous commodities	July 19	115.7	114.6	115.8	98.8
Special groups—					
Raw materials	July 19	165.2	162.0	161.5	141.4
Semi-manufactured articles	July 19	144.4	142.2	142.7	108.5
Manufactured products	July 19	145.1	143.7	142.9	118.9
All commodities other than farm products	July 19	143.3	141.8	141.1	116.6
All commodities other than farm products and foods	July 19	132.9	132.1	132.1	107.8

*Revised figure.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$110,764,000	$117,686,000	$134,225,000
Exports	45,722,000	45,137,000	21,648,000
Domestic shipments	10,622,000	11,119,000	9,940,000
Domestic warehouse credits	9,347,000	9,864,000	17,238,000
Dollar exchange	1,000	———	215,000
Based on goods stored and shipped between foreign countries	6,061,000	5,450,000	8,453,000
Total	$182,517,000	$189,256,000	$191,719,000
COAL (BUREAU OF MINES)—Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	831,239	880,335	546,257
To North and Central America (net tons)	386,271	414,794	295,414
To South America (net tons)	———	11,203	8
To Europe (net tons)	434,222	443,239	250,835
To Asia (net tons)	10,746	11,002	———
To Africa (net tons)	———	47	———
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,124,015	5,812,295	2,600,542
Oven coke (net tons)	5,530,791	5,382,830	2,573,592
Beehive coke (net tons)	593,224	429,465	26,950
Oven coke stocks at end of month (net tons)	670,656	651,671	464,672
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30	$234,000,000	$250,000,000	$121,000,000
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	1,097,307	1,097,150	782,850
For sale (short tons)	633,013	636,708	465,038
For producers' own use (short tons)	464,294	460,442	317,812
Unfilled orders for sale at end of month (short tons)	2,782,706	2,907,694	2,531,095
LUMBER (DEPT. OF COMMERCE)—Month of April:			
U. S. production (thousand board feet)	3,106,491	2,831,184	2,951,871
Mill and concentration yard lumber stock at end of April (thousand board feet)	4,591,457	4,443,548	Not Avail.
Eastern softwoods (thousand board feet)	1,849,572	1,774,684	Not Avail.
Hardwoods (thousand board feet)	1,360,573	1,283,158	Not Avail.
Western softwoods (thousand board feet)	1,381,312	1,385,706	Not Avail.
METAL OUTPUT (BUREAU OF MINES)—Month of May:			
Mine production of recoverable metals in the U. S.—			
Copper (in short tons)	74,374	*72,174	‡50,196
Gold (in fine ounces)	156,006	*156,335	‡125,296
Lead (in short tons)	30,852	*31,658	‡27,706
Silver (in fine ounces)	2,731,941	*2,956,082	‡1,814,853
Zinc (in short tons)	57,181	*56,827	‡47,149
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOC.)—Month of June:			
Passenger cars (number of vehicles)	305,943	284,357	141,090
Motor trucks (number of vehicles)	93,981	96,430	60,038
Motor coaches (number of vehicles)	1,628	1,853	774
Total	401,552	382,640	201,902
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Aluminum (thousands of pounds)	37,400	41,669	31,208
Copper (thousands of pounds)	90,054	98,253	89,163
Magnesium (thousands of pounds)	628	684	694
Zinc (thousands of pounds)	36,772	40,855	32,323
Lead die (thousands of pounds)	966	1,383	1,403
PAINT, VARNISH, LACQUER AND FILLER (DEPT. OF COMMERCE)—Month of April:			
Total sales reported by 680 manufacturing establishments	$99,566,317	$92,111,153	$72,338,550
PLASTIC WATER PAINTS, ETC. (DEPT. OF OF COMMERCE)—Month of April.			
Sales of plastic-texture water paints—			
Pounds	2,785,340	3,608,182	1,730,778
Value	$234,722	$292,238	$113,285
Cold-water paints (value)	$752,603	$769,829	$635,607
Calcimines—			
Pounds	1,407,497	1,853,540	2,316,755
Value	$74,978	$101,879	$39,595
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	140,874	144,175	130,844
For sale (short tons)	103,779	106,127	94,761
For producers' own use (short tons)	37,094	38,048	36,083
Unfilled orders for sale at end of month (short tons)	443,225	427,554	374,168
STEEL FORGINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	210,772	223,787	154,859
For sale (short tons)	115,743	121,475	DETAILS
For producers' own use (short tons)	95,029	102,312	NOT
Unfilled orders for sale at end of month (short tons)	662,579	698,615	AVAILABLE
STEEL SHIPPING BARRELS, DRUMS AND PAILS (DEPT. OF COMMERCE)—Month of April:			
Production—			
Heavy type	2,455,246	2,291,080	1,999,82
Light type	742,930	*591,897	772,68
Steel packages, kegs and pails	6,049,866	5,304,124	4,456,50
Shipments—			
Heavy type	2,455,259	2,292,357	1,987,82
Light type	728,226	*592,149	777,12
Steel packages, kegs and pails	6,073,646	5,279,041	4,370,33
TRAILER COACHES—HOUSING TYPES ONLY (DEPT. OF COMMERCE)—Month of April:			
Production (number of units)	5,392	4,885	Not Avai
Shipments (number of units)	5,437	4,786	2,98
Shipments (value of)	$8,608,555	$7,596,976	$4,423,03

*Revised figure. ‡Monthly average in year 1946.

Business Prospects for Last Half of 1947

Opinions as to the general outlook for business during the coming six months vary considerably, according to a survey just completed by the National Industrial Conference Board. Most businessmen, however, report greater conservatism and more cautious buying both in their own purchasing and among their customers.

Concern Over Inventories

Increased concern over high or unbalanced inventories manifesting itself in greater caution in buying characterizes replies from the executives surveyed.

Although demand remains heavy in some lines and backlogs are still high, only one out of every ten executives replying expects new orders to exceed shipments in the coming six months. Cancellations, rather heavy in some industries in the first quarter of the year, present "no particular problem at this time."

Estimates as to future sales, frequently made on the basis of no serious labor difficulties especially in the coal industry, show about a third of the executives looking for a rise in the coming six months compared with the first half of the year. In comparison with the last half of 1946, executives were more optimistic because of the depressing effect of strikes last year.

Sales Forecasts—In Relation to Last Half of 1946

Slightly more than half the companies reporting believe that sales in the second half of the year will be higher than in the corresponding period of 1946. This is attributed in part to price increases, and in part to reduced activity last year because of labor difficulties. (In some industries no clear-cut picture is presented. For others, the majority viewpoint is as follows: substantially higher for office equipment, chemicals, floor coverings and paper; higher for special industrial machinery, food and lumber; unchanged to higher for steel and railroad equipment. For woolens and worsteds a decline is forecast. The median average increase for all companies forecasting gains is 25%).

Industry Forecasts: January-June, 1947 vs. July-December, 1947

There is fairly general agreement as to sales trends among executives of a number of important industries. For example, machine tool executives generally look for a drop in sales in the second half of this year. Trends in other industries, according to the majority viewpoint, are as follows: steel, unchanged to lower; general industrial machinery, unchanged to lower; special industrial machinery, unchanged to higher; office equipment, higher; railroad equipment, no change; chemicals, higher; woolens and worsteds, higher. For companies estimating an increase over the first six months of the year, the median average is about 15%.

Physical Volume and Dollar Value of Sales

Sales estimates, of course, are influenced by changes in volume as well as in prices. In some cases the physical volume of sales is expected to decline, but a rise in the dollar value is forecast because of higher prices. Generally, however, the companies expecting sales increases attribute only a portion of it to higher prices. On the other hand, some of the companies forecasting lower dollar sales do not expect physical volume to drop as much if at all.

New Orders and Shipments

The relationship between new orders and shipments during the coming six months is expected to reflect the lessening of demand and more cautious buying typical of the market today. While in some industries new orders are still tighely controlled and sales are made on an allotment basis, approximately half the reporting companies expect shipments to run ahead of new orders. Only 10% expect new orders to be in the lead. Inasmuch as the majority of manufacturers entered the second half of the year with a substantial volume of unfilled orders, however, not much drop in shipments will necessarily follow. For some producers, backlogs are sufficient to support operations at capacity for many months ahead, although it is not always certain the extent to which duplications are present. The trend in backlogs, moreover, has been downward in many instances and, with shipments forecast as running ahead of new orders, this drop is expected to continue.

Return of Buyers' Market Noted

A transition from the strong sellers' market of the war and early postwar periods to a buyers' market is becoming increasingly evident. Competitive influences are being brought into play; price increases are being strongly resisted; and substitute materials not measuring up to quality standards and specification changes tending to result in a somewhat inferior product are being rejected. Considerable objection to escalator clauses is reported and the practice of including price adjustment clauses in contracts is continuing to decline. In some cases, however, escalator clauses are being requested by customers with today's price set as the ceiling, so that they may benefit by lower prices which may occur at a later date.

Cancellations "No Particular Problem"

Cancellations of unfilled orders are increasing in some industries but presesnt no particular problem at this time. Most cancellations which have occurred are attributed to delays in delivery, although considerable duplication of orders is also evident. Manufacturers also mentioned cancellation of poorer quality merchandise or "ersatz" goods.

Buying "Cautiously and Increasingly Price and Quality Conscious"

Most executives report that customers are much more cautious in their purchasing and have become increasingly price and quality conscious. These developments also largely characterize the buying policies of the manufacturers participating in this survey. Considerable fear exists regarding current high inventories in the light of possible inventory losses and many producers have adopted a policy of holding purchases to an absolute minimum except for certain raw materials in critical supply. Efforts to bring inventories "into proper balance" also have been heightened.

Majority Do Not Consider Inventories "Dangerously High"

Current inventories are not regarded as dangerously high by the majority of executives replying, although virtually all are more inventory conscious than during the war. The principal problem facing producers today in relation to inventories is their unbalanced state, and many report that their inventory policy is being carefully reviewed as a first step toward eliminating possible excesses. In the case of items such as steel, coal, petroleum, and other materials or parts which are still critically short, the major concern, of course, is obtaining a sufficient supply to maintain operations. For these materials, the general rule is to buy as much as possible. For other materials, which are gradually becoming more abundant, producers report that they are reinstating "normal" or peacetime inventory controls and are constantly checking to cut forward buying to a minimum.

Much of the caution evident in the replies stems from the fear of inventory losses which could result should prices recede suddenly from their current high levels.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't decide yet—definitely—against a special session of Congress. Odds are against it. That's now. But foreign intangibles can't be projected with adequate clarity to guarantee this situation won't change by fall. Best think of a special session in terms of a possibility.

* * *

The Marshall plan was held in abeyance until Congress quit for two reasons: (1) the lawmakers were in no mood for further piecemeal foreign aid, (2) the President wasn't ready to submit the Marshall pattern in its entirety, or to name an overall cost in terms of U. S. dollars. Postponement wasn't only wise but inevitable.

* * *

In the absence of an international economic crisis you can look forward to this possibility: (1) President Truman in October or November will summon Senate and House foreign affairs committeemen for a chat on the Marshall formula; (2) Senate and House committee hearings, perhaps joint, will follow; (3) foreign rehabilitation legislation will be drafted and ready for floor debate early in January. That's the shape of things as they look now.

* * *

But don't be misled into expecting political harmony on the Marshall mosaic. That won't materialize. Truman won't get what he asks for, will have to accept fewer billions than he wants. You can mark this down as certain—isolation inclinations on both sides of the political aisle will be more apparent, and effective, than at any time since the war. Collectivism is on the wane.

* * *

Consumer price investigation to be launched in September by Senator Taft's joint Congressional Economic Committee is apt to be a hubbub. It's of pure political derivation and intent. The committee membership is bi-partisan. That means the hearings will be bi-partisan. You'll be disappointed if you bank on anything startling—or constructive—from this jute box carousel.

* * *

Real fact is that Presidential candidate Taft didn't yearn to scrutinize high prices in the public. He was put on the spot by Connecticut's Republican Ray Baldwin who also likes to think of himself as a presidential possibility. Mr. Baldwin dreamed of a price probe with himself as chairman, introduced legislation to that end, rounded up articulate backing. Reluctantly—and somewhat glumly—Taft throttled the Baldwin ambitions by announcing his own committee would go into the far corners of the country and try to stretch the shriveled consumer dollar.

* * *

Democrats and Republicans alike will strive to fashion the price probe into voter bait. But the committeemen may get hooked themselves. Congress hasn't been realistic about the impulses behind price rises, has indulged in a batch of fancy promises, and the Taft crew may find itself wriggling on the barbs of public resentment — and misunderstanding—before the year's end.

* * *

SEC may be repatriated by late September. Present plans call for moving that agency back to Washington from Philadelphia by early fall.

* * *

Washington's legislative museum will showcase for a long time the amazing repeal of Regulation W. Just about everybody—including Federal Reserve Chairman Eccles—knew Congress was deadlocked, had decided not to legislate on W. The President had written Governor Eccles that in the absence of such legislation he would vacate W. Federal Reserve talkers were quietly telling their friends to watch for an Aug. 1 presidential edict revoking W. It was all settled.

* * *

Then look what happened: (1) misunderstanding a press conference query the President denied he had ever promised to quash W; (2) this mistaken denial angered a Congress about to recess; (3) legislative deadlock was broken and a bill killing W Nov. 1 hit the President's desk—and most prophets became liars.

* * *

The 16,000 banks that now qualify as cashing agencies of savings bonds will shortly receive Treasury regulations on cash redemption of terminal leave bonds. Since the bonds are not transferable, rules will stress the need for complete identification.

* * *

The Senate's $50,000 keyhole scrutiny of RFC is to be a dull affair this summer. First weeks will be devoted to gumshoe research. Don't look for anything hair-raising until Banking Committee hearings open in the fall.

* * *

That Reed bill returning bankrupt railroads to stockowners is in very real distress. Deriding it as an instrument of Wall Street speculators, opponents blocked a vote before adjournment. Wise money won't bet on passage next year, either.

* * *

You can view Senate confirmation of 80-year old Federal Trade Commissioner William A. Ayers to another office term as evidence FTC is to continue its mildly conciliatory attitude toward business which has characterized FTC operations the past year or so. Mr. Ayers wields the balance of power between the all-out-for-business Commissioner Lowell Mason, President Truman's personal Republican friend, and Commissioner Ewin L. Davis, diehard bureaucratic exponent of the crack-down philosophy.

* * *

Joint SEC-FTC survey of corporate finance faces a dilemma. It's a real dilemma, not imagined. Here's why: (1) the House first told the agencies to end the joint study, withheld all funds; (2) the Senate thereafter applauded the survey, voted $200,000 for FTC and $300,000 for SEC; (3) Senate and House finally compromised, withdrew all SEC money, let FTC have $100,000. The dilemma seems to be—shall the study be ended or conducted by FTC alone?

* * *

Industrial sugar users will tell you there's nothing sweet for them about the five year Sugar Act extension voted by Congress. They're afraid the Secretary of Agriculture might (1) fix the annual national sugar quota below actual needs; (2) create a scarcity at home even though the world had a surplus; (3) thereby force domestic prices upward. That could happen under the bill's language.

* * *

To be on the spot and prepared to fight against sugar industry pressure for a low quota, the industrial consumers have decided to keep alive their industrial users group activated in Washington during early rationing vexations.

* * *

Agreement by Secretary of State Marshall to defer revitalizing German industry has jolted our Washington planning people, will prolong dollar divvying, delay European economic resurgence. That's widely acknowledged, just as widely deplored. In the long run, it's to cost our taxpayers hurtfully.

* * *

After serving in Berlin as trade and commerce and economics expert of the U. S. Military government, Federal Reserve Board Member M. S. Szymczak tersely tells us that . . . "The reconstruction of the European economy is inseparable from the rehabilitation of Germany. Unless this problem is solved we must either provide further billions of assistance or see economic, social, and political disintegration in that vital area."

* * *

Successful Federal Power Commission propaganda drive to sidetrack legislation curbing its jurisdiction over electric and natural gas utilities may degenerate into a wake rather than a victory march. Hopping mad, lawmakers are investigating the possibility that FPC officials violated a law prohibiting expenditure of Federal funds to influence legislation. These probes are going forward privately as well as officially. More will be heard of this.

* * *

Here's what FPC achieved by feeding misleading propaganda to recognized New Deal news columnists: (1) stopped in the House Commerce Committee bills protecting manufacturing plants from FPC domination and returning to the states control over intrastate utility operations; (2) blocked in the Senate a House-approved bill restricting FPC control over end collection and distribution of natural gas.

* * *

Organized labor's drive to fight high prices with consumer co-ops is to rise as an obstacle when the House Ways and Means Committee opens hearings next November on the withdrawing of preferential tax treatment from co-operative enterprise of all shapes. CIO and AFofL are both busily fostering formation of co-ops the country over, are promising a reward of lower prices. Any congressional talk of cutting into co-op revenue with Federal taxes is certain to bring a howl from these ardent exponents of collective action.

* * *

A housing investigation by a joint congressional committee was authorized just before adjournment for two reasons: (1) Republicans were worried because they hadn't done anything about the housing problem; (2) Democrats hoped through a public probe to pin housing shortage blame on their GOP colleagues. You can bet the whole thing will shake down into a committee recommendation that Congress provide money for more public housing.

Doing More for the Most People

"America in my life has twice planted in Europe our national resources, our money and the flower of our youth. We were not pleased with the crop harvested on the basis of our first planting nor are we pleased with the new crop which appears to be growing following V-J Day. . . .

"We in America have been fooling ourselves since V-E and V-J Days. We thought that everyone wanted one world with the creation of wealth through production and international trade to raise the health and happiness and standard of living of all the people everywhere.

"Unfortunately this is not true. It has been apparent to others for a long time that there would be two worlds and they have been proceeding accordingly. Regretfully we must now accept two worlds and proceed in a manner that will assure our world continuing to do more for the most people."—William F. Knox.

We can continue "to do more for the most people" without doubt and without difficulty if government will only mind its own business both at home and abroad!

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—John F. Disimone has been added to the staff of Slayton & Co., Inc., 408 Olive Street.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB. — Wyatt B. Barger is now connected with Herrick, Waddell & Co., Inc., of 55 Liberty Street, New York City.

Letter to the Editor:

Makes A Correction

Berkeley Williams announces Export-Import Bank did not make Peruvian loan as stated.

Editor, Commercial and Financial Chronicle:

There is an error of fact in the following statement which appeared in my letter that appeared in your issue of July 3:

Berkeley Williams

"In April, 1942, when the Peruvian Finance Minister visited Washington to negotiate terms for American financial assistance to Peru in connection with the war effort, he announced that some resumption of interest payments on the defaulted Peruvian bonds would be undertaken soon. He got the money but forgot the bonds."

The facts are that, although the Finance Minister of Peru received at that time a conditional commitment for a credit of $25,000,000 from the Export-Import Bank, the commitment was never formalized and lapsed as of Dec. 31, 1946. One of the obstacles to the implementation of the commitment was the continued failure of the Peruvian Government to reach a settlement with holders of its defaulted bonds.

More power to the officers of the Export-Import Bank in their efforts to protect the American taxpayers.

Announcement of the loan appeared in the newspapers but I never saw any announcement of the condition or subsequent announcement that the commitment had lapsed, hence the error in my letter.

(Signed)
BERKELEY WILLIAMS

302 E. Grace St.
Richmond 19, Va.
July 26, 1947.